

**The impact of institutional voids on Japanese multi-national enterprises
operating in Sub-Saharan Africa**

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Abstract

Japan, has been facing sluggish economic fortunes in the past two decades, however, generated by Japanese Multi-National Enterprises' (JMNEs) foreign direct investment (FDI) activity has been the key source of driving Japan's economy. However, given the size of the Japanese economy, FDI by JMNEs in Sub-Saharan Africa (SSA) is less than Western countries and China but no study is done. This research stands on the following three premises based on existing knowledge gaps and is designed to fill these gaps. (1) The internal culture of JMNEs influences their decision-making in expanding their business in SSA (internal factor). (2) IVs in SSA hamper JMNEs decision-making process (external factor). (3) Current host countries or Japanese government initiatives do not adequately fill the IVs (external intervention as solution). From 20 interview with senior manager of JMNEs based in SSA, it is identified that (1) Japanese corporate culture and its structure hampering their business expansion in SSA. (2) IVs, especially Political and Social System impacts on JMNEs' operations in SAA but they overcome through their self-effort such as improvement of local operation or partnership including M&A. (3) For certain industries, such as exploitation or construction, financial support by government is key for their business.

Keywords

Institutional voids (IVs), Sub-Saharan Africa (SSA), Japanese multi-national enterprises (JMNEs), Foreign Direct Investment (FDI)

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Fumito Takahashi

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Chapter 1. Introduction to Research problem

1.1 Background

1.1.1. Growth of Sub-Saharan Africa (SSA)

According to an estimation by the African Development Bank (AfDB), Africa's gross domestic product (GDP) is expected to expand to US\$7,627 billion by 2040, which is almost equivalent to the combined GDP of Japan and the United Kingdom (AfDB, 2011). According to the latest forecast from the International Monetary Fund (IMF), Sub-Saharan Africa (SSA)'s economic growth in 2019 will increase to 3.8% which is higher than the world's growth at 3.3% (IMF, 2019). Over the past few years, while SSA's economic growth has remained at low levels due to the downturn of commodity prices, the continent is gaining momentum again as a contributor towards global economic growth (IMF, 2019). Historically, SSA has close ties with European countries since the colonial era (Hansen and Jonsson, 2014) and these social and economic influences remain prevalent today. According to the World Integrated Trade Solution (WITS), an agency of the World Bank Group, the volume of trade with Europe and Central Asia in 2017 accounts for 30.7% of the total volume of trade for SSA (WITS, 2019). As for foreign direct investment (FDI) into the region, France, the Netherlands and the United Kingdom, and holds first, second, and fourth positions respectively, reflecting the historical relationship since the colonial era (United Nations Conference on Trade and Development (UNCTAD), See Table 1). However, European countries are not the only ones that have strong economic ties with the region. China, the world's second largest country in terms of GDP, has risen as the new economic partner for the region over recent decades. Its trade volume expanded from US\$4.1 billion in 2000 to US\$55.9 billion in 2017 (WITS, 2019). A number of studies cover the Chinese government's multinational enterprises (MNEs) and state owned enterprises (SOE) strategy for Africa (Jackson and Horwitz, 2018, Li, Yu and Huang, 2018, Han, Liu, Gao and Ghauri, 2017, Peng, 2012, Ang, Benischke and Doh, 2015, Shi, Sun, Yan and Zhu, 2017). In particular China's "One Belt One Road" (OBOR) initiative has become the centrepiece of its leadership's new foreign policy, including Africa (Ehizuelen and Abdi, 2018). India, the world's second largest populous country, has also expanded the relationship with Africa mainly through importing of natural resources, particularly oil (Gurjar, 2018). India

climbed up to the top importer from SSA countries in 2017, which accounts 9.3% of total export from SSA (WITS, 2019).

1.1.2 Japan and SSA's relation

Japan, placed third in the global economy following the United States and China, has been facing sluggish economic fortunes, with around 1% growth in the past two decades due to a number of structural challenges, including a shrinking domestic market as the world's fastest ageing society (Oliver, 2015, Yoshino and Tagizadeh-Hesary, 2016). Under these conditions, in recent years, profit generated by Japanese Multi-National Enterprises' (JMNEs) overseas activity has been the key source driving Japan's current account surplus, which contributes to Japan's fiscal stability (Ministry of Economy, Trade and Industry of Japan (METI), 2017, OECD, 2017). The Japanese government also promotes JMNEs to invest in SSA in order to leverage SSA's long-term economic growth, largely because SSA is the market that JMNEs has not adequately tapped yet compared to other regions such as East Asia or South-East Asia (METI, 2016, AfDB, 2017). Rather, the trade volume between Japan and SSA has been decreasing over the past decades (UN Comtrade, 2019), which suggests the economic relationship between the two has been lessening. Cornelissen (2012) points out that the emergence of China has overshadowed the role that Japan has played on the continent both politically and economically (Cornelissen, 2012). Historically, Japan's relationship with the region had been formed through the foreign aid mechanism called the Official Development Assistance (ODA) programme since post-World War II (Cornelissen, 2012). Japan has been one of SSA's major donors, having provided US\$1.7 billion to SSA in 2017 alone (MOFA, Japan, 2019). The initiation of the Tokyo International Conference on African Development (TICAD) in 1993 showed a far greater degree of Japanese involvement on the continent (Cornerlissen, 2012, Hatani, 2015). TICAD, which is co-hosted by the United Nations, the World Bank, and African Union Commission (AUC), was held every five years until TICAD 5 (2013) and every three years since TICAD 6 which was held in Nairobi in 2016 for the first time on the continent. TICAD's guiding vision is contained below (MOFA, 2019);

- 1) Pioneering a development forum for Africa
- 2) Inclusiveness and openness

- 3) Realisation of principles such as African ownership and global partnerships
- 4) African community development, with the steady implementation and follow-up of announced measures

In particular, at TICAD 4 in 2008, the Japanese government clearly stated that their policy on Africa would shift from aid to investment to foster sustainable and win-win relationships between African countries and Japan (MOFA, 2008). At TICAD 6 in 2016, the Japanese government pledged US\$30 billion in public and private sector funding for African development for the next three years (MOFA, 2016). According to Japan's ministry for foreign affairs (MOFA), 42 African leaders from 53 countries participated in this year's TICAD event, held in Yokohama from August 28-30, where Japan's Prime Minister Shinzo Abe committed to further encourage Japanese private investment in Africa, which over the past three years was worth US\$20 billion (MOFA, 2019). Hatani (2015) pointed out that TICAD is not well functioned to encourage business between Japan and Africa because it does not specify how partnership (PPP) can be achieved and who are the main stakeholders (Hatani, 2015). Hatani also stressed that China's expansion in Africa in align with the China's Forum on China-Africa Cooperation (FOCAC) will clearly be a threat to the significance of Japan's TICAD initiative (Hatani, 2015)

1.1.3 Knowledge gap

However, given the size of the Japanese economy and Japanese government's initiatives such as TICAD to promote JMNE business in the region, FDI by JMNEs in SSA is less than other developed Western countries and China, which, like Japan, does not have historical colonial relationships with SSA countries (UNCTAD, 2019, see Exhibit 1). The aforementioned report from the UNCTAD shows that Africa received FDI with US\$45.9 billion in 2018 alone, yet Japan did not feature in the top 10 investor economy ranking for FDI between 2013 and 2017, despite it becoming the world's largest investors with US\$143 billion in 2018 alone (UNCTAD, 2019). Instead, China (5th), Singapore (9th) and Hong Kong (10th) rank from Asian countries in the top ten investor's economy. This implies that unique factors will impact on JMNEs decision-making for FDI into Africa. However, there has been no academic research done to identify why JMNEs are behind in SSA in terms of FDI.

1.2 Theory and Preceding Study

1.2.1 Institutional Voids (IVs)

Khanna, Palepu and Sinha (2005) identified that successful companies in emerging markets, such as SAA, develop their own strategies for doing business and those companies apply different approaches from those used in their home country (Khanna, Palepu and Sinha, 2005). Moreover, those successful companies in emerging markets often find new ways of taking advantage of IVs (Khanna et al., 2005). Identifying the five components of IVs in an emerging market as “Political and Social System”, “Openness”, “Product Markets”, “Labour Market” and “Capital Market”, Khanna et al. noted that IVs in emerging markets are greater than in developed markets, which increases transaction costs for multinationals in the former (Khanna et al., 2005). Doh, Rodrigues, Saka-Helmhout and Makhija (2017) further explored how global business responds to a weak institutional environment such as in SSA (Doh, Rodrigues, Saka-Helmhout and Makhija, 2017). Suggesting it’s important to identify a set of IVs such as Economic and Social system, Doh et al. (2017) highlighted four different strategies for responding to IVs: internalisation, substitution, borrowing and signalling (Doh et al, 2017). These IVs were further discussed in the context of JMNEs culture.

1.2.2 Understanding of JMNEs culture

Pak and Park (2005) examined the characteristics of Japanese FDI in China and the US to comprehend the strategic motivation of Japanese investment (Pak and Park, 2005). Their research also revealed that Hofstede’s cultural consequences identify greater Japanese power distance and uncertainty avoidance (54th and 92nd respectively) compared to the US culture (40th and 46th, respectively), which negatively affects JMNE willingness to consider international joint ventures (IJVs) (Pak and Park, 2005). By contrast, Jung, Beamish and Goerzen’s later study (2008) revealed that JMNEs showed a stronger preference for international joint ventures (IJV) as compared to the US MNEs (Jun, Beamish and Goerzen, 2008). In addition to that, performance of the IJV, which JMNEs were involved, exceeded wholly owned subsidiaries (WoS) among JMNEs, while WoS outperformed IJVs among the US subsidiaries (Jung et al., 2008). Whilst studies

on the JMNE's FDI approach to East Asia is relatively abundant (Sohn, 2002, Song, 2002, Giroud and Mirza, 2006, Fujita and Hamaguchi, 2012, Hong and Snell, 2015, Fujita and Hamaguchi, 2016, Chadha and Berrill, 2016), rigorous academic research and thorough studies focused on the impact of institutional voids on JMNEs operating in SSA has not been conducted yet, despite the fact that JMNEs have not exploited chosen markets well compared to other regions as FDI data shows.

1.3 Research Problem

From the preliminary literature review outlined above, JMNE's lower presence in FDI and business than other foreign companies may be caused by the combination effect with JMNEs corporate culture as internal factor and IVs in SSA as external factor. In addition to that, there is possibility that necessary support or intervention by various stakeholders, such as host country government, Japanese government and other third-party or JMNE's headquarters is not sufficient to encourage JMNE's FDI decision or business expansion. However, no academic study has been conducted to identify its impact as well as these relations through qualitative survey for JMNEs operating in SSA.

This research stands on the following premises based on existing knowledge gaps and is designed to fill these gaps.

- The internal culture of JMNEs influences their decision-making in expanding their business in SSA (internal factor)
- IVs in SSA hamper JMNEs decision-making process (external factor)
- Current host countries or Japanese government initiatives (especially TICAD) do not adequately fill the IVs (external intervention as solution)

Chapter 2: Literature review

2.1. Foreign Direct Investment (FDI)

2.1.1. Theory of FDI

FDI is generally recognised as a catalyst for economic growth for the host country. Research by Borensztein, Gregoriob and Leec (1998) showed that FDI has an important role on economic growth in host countries (Borensztein, Gregoriob and Leec, 1998) . Hahm and Heo (2008) also found that FDI from both the United States and Japan helped economic growth in the East Asian economies which at times have achieved the world's most rapid growth (Hahm and Heo, 2008). Based on a study from a sample of cities in China, Blanc-Brude, Cookson, Piesse and Strange (2014) identified that spatial dependence impacts on FDI location choice within host countries (Blanc-Brude, Cookson, Piesse and Strange, 2014). On the other hand, there are numerous arguments around firm's FDI decision. Blonigen and Piger's (2014) statistically examined to identify key variables for attracting FDI (Blonigen and Piger's, 2014). Their research revealed that there is no significant correlation between FDI activity and host country's trade openness, business cost, infrastructure or institution, while it has been said these would be determinants of FDI activity (Blonigen and Piger's, 2014). Skovoroda, Goldfinch, DeRouen Jr and Buck (2019) observed the US oil and gas firms and they revealed that investment to a country where conflict and violence prevails can facilitate those MNEs to consider their growth option sooner (Skovoroda, Goldfinch, DeRouen Jr and Buck , 2019). Furthermore, they identified that political instability does not directly explain higher risk for FDI in oil and gas expropriation sector (Skovoroda,et al., 2019) . Conconi, Sapira & Zanardi's study (2016) showed that when firms are uncertain about their profitability in a foreign market, they experiment export first and then consider FDI (Conconi, Sapira and Zanardi, 2016)

2.1.2. FDI spill-over effect

FDI is also generally recognised to bring spill-over effect to the host country. Orlic, Hashi and Hisarciklilar (2018) found its positive impact on the host country's industry, after investigating the effect of spill-over from FDI in manufacturing and services on the

productivity of domestic manufacturing firms in European countries (Orlic, Hashi and Hisarciklilar, 2018). However, there are also controversy arguments around FDI's spill over effect. Lu, Tao and Zhu examined the FDI spill-over effect in China and they found that FDI has a significant negative effect on the productivity of domestic firms in the same industry through the case of China (Lu, Tao and Zhu, 2017). Their study also revealed that FDI increases equality of distribution of income in the countries they examined (Lu et al., 2017). On the other hand, they concluded that this effect diminishes with further increases in FDI (Lu et al., 2017). As a policy implications, they stressed that economic growth driven by FDI may not directly relate to a reduction in inequality (Lu et al., 2017). Xiao and Park (2018) examined how FDI spill-over affected the productivity of local firms in emerging economy such as China and they identified an U-shaped relationship between FDI spill-over effect and the productivity of Chinese companies (Xiao and Park, 2018). They also found that institutional mechanisms in the emerging market, such as the statutory-determined ownership prescribed by host governments like China, significantly impacts on the FDI spill-over effect on the local firm's productivity (Xiao and Park, 2018). Grazia (2018) identified that FDI in a developing country's agricultural sector has a positive impact on the host country's food security when there is pressure on it from the home country to respect its human rights (Grazia, 2018). However, they also indicated that FDI in agriculture can also have a negative effect on food security when there's competition for scarce resources, putting pressure on the host country to secure its national interest (Grazia, 2018).

2.2 Theory of Multi-national Enterprises (MNEs)

The classic theory related to MNE's decision-making on international trade is Stephen Hymer's "International operations of national firms" (Hymer, 1960). Brainard (1997) theorised through empirical assessment how proximity-concentration affects decision-making for multinationals' sales and trade (Brainard, 1997). In the early 2000s, Melitz (2003) identified that the productivity of firms that deal with exports is higher than those that do not undertake any export activity (Melitz, 2003). Helpman, Mellitz, and Yeaple (2004) further expanded Melitz's theory in order to take MNEs' FDI activity into account and identified that firms with higher productivity tend to choose to invest in establishing a manufacturing base in the foreign country rather than focussing on exports (Helpman,

Mellitz, and Yeaple 2004). Johanson and Vahlne's study (2006) suggested that the cost for overseas business has transformed into cost-related "relationship-specificity" and "network-specificity" (Johanson and Vahlne, 2006). Ang, Benischke and Doh (2015) stressed that interaction affects institutional differences in the cognitive, normative, and regulatory domains on cross-border acquisition and alliance formation (Ang, Benischke and Doh, 2015). Arslan, Tarba and Larimo (2015) analysed the FDI entry strategies of Nordic MNEs into the Commonwealth of Independent States (CIS) and Southeast Europe (SEE) by comparing both establishment type (green field investment or acquisition) and ownership type (WoS or JV) (Arslan, Tarba and Larimo, 2015). Their study revealed that Nordic MNEs prefer green field investments and JVs investments where there is high economic freedom distance (Arslan et al., 2015). This study also implied that the host country's degree of economic freedom impacts on MNE's decision for FDI. Verbeke and Kano (2016) pointed out the fact that a number of multinationals fail to be successful outside of their home country largely due to distance from home countries (Verbeke and Kano, 2016). To overcome this, they suggested that those multinationals needs to incorporate regional factors for their internationalisation strategy (Verbeke and Kano, 2016). The study on MNEs are not limited to the MNEs originated from the developed economy. Kotabe and Kothar (2016) focused on the emerging market multinational companies (EMNCs) in India and China and they identified that EMNCs build own competitive advantage as well as innovation capabilities through surviving competition in their home countries and overcoming the liability of emergingness (Kotabe and Kothar, 2016). Shi, Hoskisson and Zhang (2016) focused on how multinational state-owned enterprise (SOE)'s deal with geopolitical concern in the host country where local politicians are in influential position to foreign SOEs (Shi, Hoskisson and Zhang, 2016). Demirbag, Glaister, and Tatoglu (2007) stressed that the institutional and transaction cost in the emerging market influences MNE's ownership strategies of their subsidiaries (Demirbag, Glaister and Tatoglu, 2007).

2.3. Institutional Voids (IVs)

2.3.1. Theory of IVs

The IVs were theorised by Khanna and Palepu's study in 1997 for the first time and they identified that the absence of institution, i.e. institutional voids, may hamper the

ease of transaction between buyer and seller, and as a result firm's transaction cost increase and that may hamper foreign companies expansion into the emerging market (Khanna and Palepu, 1997). As described in the previous chapter, Khanna et al.'s later study (2005) defined the five context of IVs in emerging market which multinationals need to consider, which are "Political and Social system", "Openness", "Product Markets", "Labor Market" and "Capital Market" (Khanna et al., 2005). They designed for the multinationals to identify IVs in the each context in order to create own strategy (Khanna et al., 2005). The following is an excerpt of their definition.

a. Political and Social System:

- Politician's accountability and power of ruling or opposition party
- Legislative, executive, judicial system
- Government's intervention for business
- Quality of bureaucrat
- Religious or linguistic tension
- Tolerance for corruption
- Press freedom

b. Openness:

- Restriction for foreign investments
- Regulation for acquisition of local companies or partnership
- Import duty or tariff barrier
- Control of exchange rate

c. Product Market

- Accessibility to reliable data/ consumer purchase behaviour
- Strength of logistics and transport infrastructure
- Existence of large retail chain or supply chain

d. Labor Market

- Quality of education infrastructure
- English level
- Easiness of move for workers
- Rights of worker protected

e. Capital Markets

- Effectiveness of country's banks or insurance companies

- Effectiveness of corporate governance, accounting standard

After multinationals investigating these context in the developing country where they would like to enter, Khanna et al. (2005) suggested that multinationals need to choose one strategy from three choices such as “adapt your strategy”, “change the concept” or “stay away” (Khanna et al., 2005). Doh et al. (2017) developed this Khanna et al.’s et al.’s theory and they suggested that identifying an set of IVs, especially, economic and social, are important (Doh et al., 2017). They also highlighted four different strategies for overcoming IVs such as “internalisation”, “substitution”, “borrowing” and “signalling” (Doh et al., 2017)

2.3.2. How to fill the IVs

Gao, Zuzul, Jones and Khanna (2017) examined how companies in weak institutional environments can survive over time (Gao, Zuzul, Jones and Khanna, 2017). Their research suggested that reputation is important for long-run survival in emerging markets for MNEs (Gao et al., 2017). One of the major countermeasures to bridge IVs is to “internalise” transaction cost through M&A (Doh et al., 2017). As alternative strategy, Pinkham and Peng’s research (2017) showed that firms may overcome IVs by “borrowing” home country or third country institutions which are superior than the ones in host country’s institutions (Pinkham and Peng, 2017). Kingsley and Graham (2017) study showed that firms leverage firm’s private information in order to bridge the information gap for their better investment decision as “substitution” (Kingsley and Graham, 2017). On the other hand, El-Ghoul, Guedhami and Kim (2017) identified that foreign multinationals can use Corporate Social Responsibility (CSR) activity to develop better relationship with local multiple stakeholders in order to reduce transaction cost (El-Ghoul, Guedhami and Kim, 2017). This is called “signalling” strategy (Doh et al., 2017). They conceptualised these four strategy responding to IVs in their article (Doh et al., see Figure 2). Goedhuys and Sleuwaegen (2016) examined the firms based in emerging market where there are severe IVs utilise International Standards Certification (ISC) on their export in order to overcome the IVs in the host countries (Goedhuys and Sleuwaegen, 2016). Manikandan and Ranachandran examined the case from Indian business group that how business group with diversified portfolio allow them to have an access to hidden opportunity in the

incomplete market with greater IVs (Manikandan and Ranachandran, 2015). Kim and Son (2017) also placed an importance on that creating business groups through M&A is helpful to fill the IVs in emerging market and they identified the tendency that a country having the stronger financial institution, the lower probability of failure of M&A transaction (Kim and Son, 2017). This research implies firmness of financial market in the host country is key for the successful M&A transaction which helps to fill IVs. Landau, Karna, Richter and Uhlenbruck's study (2016) showed that only some MNEs have an ability to leverage institutional support in their home countries, such as chamber of commerce or education system (Landau, Karna, Richter and Uhlenbruck, 2016). Landau et al. named this ability institutional leverage capability (ILC) (Landau et al., 2016). Their study also showed firm is even not aware of their home countries institutional support for firm's internationalisation and they also showed how successful firm leverages the institutional support from the case of one German medium-sized company (Landau et al., 2016). Kingsley and Graham (2017) stressed that "information void" as a part of IVs in the emerging market affects foreign direct investor's reaction (Kingsley and Graham, 2017). Harrison, Scheela, Lai and Vivekarajah (2018) focused on how angel investor overcome IVs in middle income country such as Malaysia and they identified that those investors utilise informal institutions by co-partner and local network such as with government and they also carefully conduct due diligence to mitigate the risk (Harrison, Scheela, Lai and Vivekarajah, 2018).

2.3.3. IVs in SSA

There are also plenty of preceding studies focusing on IVs in SSA and how MNEs response to them. Luiz and Stewart (2014) researched on South African MNEs how to response corruption as a form of IVs in SSA (Luiz and Stewart, 2014). The research revealed that while corruption prevails and increase the transaction cost, these MNEs strategically responses to this particular IVs in SSA at organisational level (Luiz and Stewart, 2014). Parente, Rong, Geleilate and Misati (2018) researched how Chinese state-owned MNE entered and developed its operations in the Democratic Republic of Congo (DRC). The research indicated that after the Chinese state-owned MNE's entry, they sustained their operations there by engaging and co-evolving with other key

stakeholders such as home and host country government, private companies and local communities in the country (Parente, Rong, Geleilate and Misati, 2018). They further suggested that its business ecosystem evolved through three stages such as “exploring”, “establishing”, and “embedding” (Parente, et al., 2018). Garronea, Piscitelloa and D'Amelioa (2019) focused on electricity shortage in SSA due to “double institutional voids” which are lack of effective formal institution and informal institution, and they identified that in such an environment, foreign multinationals and FDI can play a role in filling these IVs (Garronea, Piscitelloa and D'Amelioa, 2019).

2.4. FDI into SSA

According to the World Investment Report 2019 from the UNCTAD, FDI flows to Africa between 2017 and 2018 increased by 11% compared to the previous year, however still below the annual average of over the past 10 years (UNCTAD, 2019). Moreover, Africa received only 3% of the world's total FDI in 2018, which is 46 billion US dollars, whereas Asia received 512 billion US dollars in 2018, which accounts for nearly 40% of world's FDI (UNCTAD, 2019). Moreover, in Africa, return on investment dropped to 6.5% in 2018 from 11.9 % in 2010 (UNCTAD, 2019). Even though size of economy is different between Asia and Africa, this figure explains that Africa including SSA does not attract FDI compared to Asian countries. A plenty of researches focused on the characteristics of FDI in Africa has been done in the context of issue of Africa's development. For instance, Asiedu (2002) compared impact on FDI to SSA with non-SSA countries and identified that Africa had less positive impact by FDI than non-SSA (Asiedu, 2002). Anyanwu and Yaméogo's study (2015) showed that factors that attract FDI varies on the five African region and democracy drives FDI in South African countries (Anyanwu and Yaméogo, 2015). Gossel (2017) investigated the impact of FDI in 42 different SSA countries and identified that FDI positively respond to the country where has more accumulation of democratic capitals (Gossel, 2017). Dodo (2018) pointed out that mismanagement and political instability coupled with other social and cultural reasons and external forces such as globalization and debts, have been hampering Africa's economic development (Dodo, 2018). Kaulihowa and Adjasi (2018) examined that FDI into African countries improves welfare in the host countries (Kaulihowa and Adjasi, 2018) As described in 2.1, FDI plays an important role in

contributing to economic and social development for the developing economy such as SSA, the region are deemed not to perform well in terms of attracting FDI.

2.5 Japan

2.5.1 Japanese FDI into SSA and business operation

As mentioned in the previous chapter, Japan is out of top 10 investor economies for the region despite the fact that Japan is the largest FDI investors to the world in 2018 (UNCTAD, 2019). According to the Japan External Trade Organization (JETRO), which is the Japanese governmental trade and investment promotion agency, 295 Japanese affiliated companies, which most are JMNEs, are operational in 20 countries in SSA at the time of their survey conducted in 2018 (JETRO, 2019). Out of these 295 companies, 120 affiliates are operating in South Africa (SA), where IVs are arguably lesser than other countries in SSA, followed by 42 companies in Kenya, 22 in Nigeria, 19 in Mozambique (JETRO, 2019). In these countries, global and leading JMNEs such as Mitsui Co, Mitsubishi Corporation, Sumitomo Corporation, Toyota motors, Honda, Nissan, Hitachi, Toshiba and Panasonic are included. However, according to the JETRO's survey in the other regions, the number of Japanese affiliated companies are far greater than Africa, such as ASEAN (8,974), Northeast Asia including China (2,848), Southeast Asia including India (1,152), the United States (730), Europe (763), Middle East (877) and Latin America (687) (JETRO, 2019 b). Given the SSA's size of economy and geographical distance from Japan, it may be natural that the number of Japanese affiliated company is less than the ones in those areas. However, it implies that Japanese MNEs would have less knowledge of business operation in SSA compared to other areas. The result of JETRO's survey for JMNEs in SSA showed that "development and implementation of regulation and registration" was perceived as greater investment risk in Africa in general, followed by "financial affairs, financing or foreign exchange", "social and political instability" and "poor Infrastructure" (JETRO, 2019). While these investment risk and operational challenge in SSA raised by JMNEs may be closely related to IVs in SSA. These may be the reasons hampering the JMNEs business expansion into the region, however, there has been no academic research conducted yet.

2.5.2 Characteristic of Japanese FDI

Beamish and Inkpen (2002) identified that JMNEs recognised the importance of empowering local management and become more global company (Beamish and Inkpen, 2002). They also showed that the number of Japanese expatriates has been decreasing over the years and this trend related to lack of human resource for the expatriate managers in JMNEs (Beamish and Inkpen, 2002). Makino, Beamish and Zao (2004) identified that there is difference in characteristic and performance by Japanese FDI between developed country and developing country (Makino, Beamish and Zao, 2004). They identified that Japanese FDI in secondary industry sector are concentrated in the developing countries with a lower level of control over their local subsidiary, while their FDI in tertiary sector are dominant in the developed country with higher level of control over their subsidiary (Makino et al., 2004). Peng and Beamish (2014) examined the effect of Japanese long-term orientation (LTO) in FDI through the observation of JMNEs and they identified that there is correlation between cultural and geographic distance on JMNEs ownership levels (Peng and Beamish, 2014). Zhang and Beamish (2017) later identified how JMNEs adapt their ownership choices to response to China's economic liberalisation (Zhang and Beamish, 2017). Voyer and Beamish (2002) identified that Japanese FDI avoid countries where corruption prevails, as a result the corruption reduces FDI (Voyer and Beamish, 2002). Fitzgerald and Rowley (2015) identified the factors that may impact on the ability of JMNEs to assure their competitiveness and organisational transition (Fitzgerald and Rowley, 2015). According to their study, institutional differences, which is the gap between Japan and host countries institution as well as internal power relations between parent company and their local subsidiary impact on their intent for cross-border transfer (Fitzgerald and Rowley, 2015). On the other hand, Gao, Wang and Che (2018) examined how historical conflict between China and Japan impact on FDI location and its performance for Japanese firm in China (Gao, Wang and Che, 2018). Chadha and Berrill (2016) investigated Japanese firm's internationalisation pattern and found that Japanese consumer goods and oil and gas industries are more multinational than consumer service and utility industry in Japan (Chadha and Berrill ,2016).

2.5.3 Japanese corporate culture

With respect to Japanese corporate culture, there has been not many international academic journals published the past 10 years. Hofstede's (2001) cultural distance showed that Japan has relatively higher "power distance (54th)" and "uncertainty avoidance (92th)" (Hofstede, 2001). This implies that Japanese firms prefer less risk environment to avoid uncertainty and this impacts on type of business formation such as IJV, WoS or M&A. Pudelco (2009) articulated that Japanese management model was in critical situation and the study highlighted the difference of Japanese-style management from the US-style management (Pudelco, 2009). The Japanese style-management was characterised by more domestic mind-set, many hierarchical layer, generalist carrier approach than the US and Japanese firms faced challenge with changing these traditional management style within the global economic context (Pudelco, 2009). Guiso, Sapienza and Zingales (2015) examined that corporate culture and its performance (Guiso, Sapienza and Zingales, 2015). They identified that corporate culture does not always relate to firm's better performance, however, they emphasised that firm's performance could improve when employees perceive that their top manager is trustworthy and ethical (Guiso, et al, 2015). This can be also applied to the JMNEs' case in this study and this corporate culture may impact on corporate structure. There has been no study conducted identifying the characteristics or challenge of Japanese companies operating in Africa.

2.6 Cultural distance and mode of entry

When a firm entry into foreign country, a firm can choose type of ownership such as WoS, which is more subject to parent company or partner with other firms called IJV. Wilkinson, Peng, Brouthers and Beamish (2008) examined relationship between JMNEs foreign subsidiaries and parent companies, and they found that cultural distance diminishes the control by parent company over foreign subsidiary (Wilkinson, Peng, Brouthers and Beamish, 2008). Puck, Hödl, Filatotchev, Wolff and Bader (2016) identified that parent company of WoS reduce their extent of control for their local subsidiary, while JV's parent firms increase their extent of control from the observation of Chinese firms (Puck, Hödl, Filatotchev, Wolff and Bader, 2016). They also found that as cultural distance increases, the extent of control over WoS by parent company declines and vice versa (Puck et al., 2016). In addition to that, cross-border M&A is

also a major tool for foreign multinationals when entry into foreign market. Ahammad, Tarba, Liu, Glaister, and Cooper's study (2016) showed that national and organisational distance influence the negotiation process of cross-border M&A (Ahammad, Tarba, Liu, Glaister, and Cooper, 2016). Mariotti, Piscitello and Elia (2014) stressed that location of the target firm for M&A impacts on the MNEs ownership choice (Mariotti, Piscitello and Elia, 2014). On the other hand, Lim, Makhija and Shenkar (2016) indicated that when the cultural distance is perceived differently between companies, it may result in different effect in the cross-border M&A (Lim, Makhija and Shenkar, 2016).

2.7 Comparison - China

There are numerous studies on the Chinese MNEs strategy into Africa because of its distinct features compared to the Western MNEs (Peng, 2012, Shi, Sun, Yan, and Zhu, (2017). China's original motivation for FDI in Africa is characterised as purely resource seeking (Jackson and Horwitz, 2018). Han, Liu, Gao, and Ghauri (2017) examined how Chinese firms consider the volatile political environment as the main source of the risk in some African countries and the study highlighted how Chinese firms strategically behave (Han, Liu, Gao and Ghauri, 2017). Furuoka (2017) also examined the comparison of China's and Japan's resource allocation in Africa and the study identified that Japan tended to place more importance on African country's needs of aid, while China is focused on economic benefit (Furuoka, 2017). Lu, Li, Wu and Huang (2018) investigated that Chinese firms tend to choose the JV mode in African country where political hazards are high to mitigate the risk (Lu, Li, Wu and Huang, 2018). However, their study also pointed out that when the foreign aid by Chinese government increases or when Chinese firms accumulate experience in the host country, they will stop choosing JV (Lu et al., 2018). Jackson and Horwitz's research (2018) identified that Chinese MNEs has different expatriation policy from the Western countries such as Europe and the US company, which places lower importance on knowledge transfer but it may harmonise with African culture (Jackson and Horwitz, 2018). As above, Chinese government and Chinese firms has clear strategy for SSA's countries.

2.8. Institutional Support

Lu, Liu, Wright and Filatotchev's study (2014) identified from the case of Chinese firms that quality of host country's institutional environment and home country's support increases the possibility of FDI (Lu, Liu, Wright and Filatotchev, 2014). This study implies the importance of better business environment in SSA countries and better support from Japanese government in the context of this study. From the comparison of China, it appeared that China has clearer strategy for SSA than Japan. As Hatani (2015) pointed out that TICAD, the platform for diplomatic relationship between Japan and SSA countries may not be as useful as China's strategy such as FOCAC or one-belt, one road initiative (Hatani, 2015). On the other hand, as described above, Landau et al. (2016) indicated that only some MNEs have an ability to make use of institutional support from their home countries (Landau, et al., 2016). This implies there is a possibility that JMNEs do not fully make use of their home government institutional support for their expansion in SSA.

2.9 Findings from literature review

Figure 2 shows the findings from the literature review according to research problems articulated in the previous chapter. Research questions (RQ) for this survey was developed based on these identified gaps to fill in this study. From the literature review outlined above, the characteristic of Japanese FDI and Japanese corporate culture was identified, but merely to limited degree. Especially, it was still not clear that how JMNEs corporate culture impacts on their business operation or FDI decision in SSA from the existing studies. In similar, what kind of IVs affects MNEs operating in SSA and how those MNEs try to overcome IVs were still not fully understood. Furthermore, there is no study focusing on what kind of IVs in SSA impacts on JMNEs and how they try to overcome or mitigate the risk. These facts proofed that understanding of impacts by IVs for JMNEs operating in SSA and why they are behind in terms of FDI in SSA cannot be explained by the existing literature. This knowledge gap was filled with the following interviews with JMNEs and analysis in this study. It may be also helpful for JMNEs to understand this gap, which seeks business opportunities in SSA, as well as Japanese government, which has been trying to encourage JMNE's FDI in SSA. This knowledge gap was further discussed in the chapter 5, 6, and 7.

Chapter 3: Research Questions/ Propositions/ Hypotheses

3.1 Research objective

As articulated in the aforementioned chapter, JMNEs strategic approach to SSA and perceived IVs are not fully understood, despite the fact that SSA is the emerging market that provide opportunities for JMNEs to expand their business for long-term growth. Therefore, the purpose of this study is to identify determinant variables that impact on JMNEs' decision-making on FDI into SSA and to what degree. Through qualitative research on JMNEs already based in SSA, as well as those that have withdrawn, this study aims to identify major obstacle factors and IVs that can be useful information for JMNEs that haven't tapped into the region compared to other major economies. This study can also help to identify necessary institutional support to fill the gap not only by the host countries' governments but also by the Japanese government in order to promote JMNEs' FDI more effectively.

3.2 Research question and key questions

Given the purpose of the research described above and findings of literature reviews as shown in Figure 2, this study was conducted based on the following overarching research questions (RQs) which interrelate to each other to ensure a golden thread.

RQ1: Do JMNEs have distinctive cultural features that hamper their investment decisions into SSA when compared to other competitors?

RQ2: What is the effect of IVs on JMNEs in SSA?

RQ3: How can the issues affecting JMNEs in SSA (as identified in RQ1 & RQ2) be mitigated?

The potential key research questions (KQs) subordinated to the overarching research questions were as follows.

KQ 1(to RQ1): How would you describe your firm's organisational culture compared to other foreign or local competitors (e.g. Chinese or SSA host country MNEs)?

KQ 2(to RQ1): What, in your opinion, are the competitive advantages and disadvantages of your firm's organisational culture compared to either JMNEs or MNEs from other countries?

KQ 3(to RQ1): What are the obstacles to expand business into SSA from the organisational cultural perspective of your firm?

KQ 4(to RQ2): What type of IVs impact on your business in SSA and is the effect significant?

KQ 5(to RQ2): How does your firm overcome these IVs?

KQ 6(to RQ2): From a risk mitigation perspective, what type of ownership/partnership structure (e.g. IJV, WOS) has your company used when entering an SSA host country?

KQ 7(to RQ3): What intervention by the host country is needed?

KQ 8(to RQ3): What intervention by the Japanese government is needed?

KQ9(toRQ3): What intervention by third parties (e.g. international organisations/agencies or the firm itself) is needed?

These questions were covered as the semi-structured questionnaire and interviews with JMNEs were conducted.

4. Research methodology

4.1 Choice of methodology

This research employed an inductive approach based on the premise that IVs, as well as JMNE, culture impacts on JMNEs' decision-making process on FDI into SSA and results in lower FDI injections compared to those made by other major FDI players in SSA. Demirbag, Glaister, and Tatoglu (2007) stressed that institutional and transactional costs in emerging markets influences MNEs' ownership strategies of their subsidiaries (Demirbag, Glaister & Tatoglu, 2007). Zhang and Breamish's study (2017) concluded that JMNE ownership choices in China have increased as China's economy has liberalised (Zhang & Beamish, 2017). It is evident that higher ownership requires more FDI than lower ownership. Therefore, this higher transaction cost (lower ownership), i.e., IVs in SSA may result in a lower level of FDI by JMNEs compared to other region. This was the motive to choose an inductive approach in this study. The inductive approach was pursued through semi-structured interviews with selected individuals from sampled JMNEs as well as the ones that have withdrawn. For differentiating JMNE culture from other MNEs, the culture of MNEs operating in SSA from other countries, such as China, the US, the UK, France, and India was also reviewed in order to identify how these MNEs respond to IVs in SSA differently. This was helpful to distinguish between IVs as an external factor. On the other hand, each countries MNE's internal culture may affect their decision-making process as a variable. In addition to that, each country's government initiative to fill the IVs, such as Japan's FOCAC and TICAD, was also examined through the interview with JMNEs.

4.2 Philosophy

This study employed an interpretivist approach to understand how JMNEs' internal culture and IVs as external factors are interlinked and how those impact on JMNEs' decision-making process on FDI into SSA. This was achieved by observation, interviews with selected senior managers from JMNEs, and from an expanded literature review. From the literature review, it was identified that a limited number of studies cover JMNE culture and their response to IVs in emerging market economic regions. However, this writer could not find any academic literature focused on how IVs and JMNE culture

impacts on their decision-making process and operations in SSA. Filling this “knowledge gap” and identifying determinant variable (s) which may discourage JMNEs to expand their business in SSA would be beneficial for both local and Japanese government as well as JMNEs because they could make use of the findings from this study to reconsider their strategy on SSA. These were the key points of departure in this study.

4.3 Approach

This research employed an inductive, compare-and-contrast approach, to provide better understanding on why FDI in SSA by JMNEs are lower than other major FDI players on the continent. Therefore, this research focussed not only on IVs or JMNE culture but also makes comparisons with successful competitors such as MNEs based in the US, UK, France, China and India. The semi-structured questions were put to respondents in JMNEs to understand their view. The competitor analysis was conducted by literature review as well as during the aforementioned semi-structured interviews with highly-placed individuals within JMNEs.

4.4 Methodological choices

According to JETRO’s survey conducted in 2018, 295 Japanese affiliated companies, most of them multinational enterprises, were operational in 20 countries across SSA (JETRO, 2019). This made quantitative research difficult, given the size of this sample, even though this figure includes subsidiaries of the same JMNE parent company. For this reason, a mono methodology and qualitative research using semi-structured interviews with individuals from JMNEs was the preferred approach in this research. Given the physical constraints, a set of face-to-face interviews and Skype meetings with selected individuals from JMNEs using a semi-structured questionnaire was considered more effective in obtaining answers to the research question than distributing a questionnaire for quantitative research.

4.5 Purpose of research design

A descriptive approach was used through conducting semi-structured interviews with a sufficient number of individuals from JMNEs to allow adequate comparison and contrast

as mentioned earlier. Therefore, this study took a survey style approach, rather than case study or naturalistic observation, with the research design's purpose based on the research problem as stated. Figure 3 shows the basic concept of the research design. When JMNEs plan to make an FDI into SSA, they have to consider a number of independent variables such as market size, logistics cost, and price elasticity, before making decisions. However, dependent variables (outputs) may be dependent on how those individual variables as inputs are interdicted by IVs (external factor) and JMNEs culture (internal factor). This research advanced the premise that these internal and external factors around JMNEs operating in SSA may determine successful or unsuccessful investment. In this study, the researcher focused on finding these dependent variables.

4.6 Strategy

In this study, an exploratory research strategy was conducted, having found during the literature review that there are limited prior studies conducted about the stated research problem. This strategy was ensured by conducting semi-structured interviews with key actors in JMNEs and further through additional literature review.

4.7 Time horizon

In this study, a cross-sectional method was used. The proposed semi-structured interviews across the targeted JMNEs was conducted only once during the research periods and as such, the approach was cross-sectional. It was not reiterated as the approach of this study was not to pursue longitudinal study such as is used in the case study method. In this study, 20 once-off interviews with individuals in JMNEs that operate in different industrial sectors and have different type of ownership or business models, were conducted for each firm during the research period.

4.8 Techniques and procedures

The aim of this study was to develop a limited or circumscribed grounded theory through an inductive approach by semi-structured interview with individuals in JMNEs. To ensure this, ATLAS.ti, a powerful tool for qualitative analysis, was used with appropriate coding based on a discussion with the supervisor. In addition to this, an intensive literature

review was conducted to check if the result from the analysis by ATLAS.ti had consistency with the findings from the literature review and to what degree.

4. 9 Research methodology and design

4.9.1 Population

The population of this study was comprised of senior managers from JMNEs active in SSA, and previous expatriates who have returned to Japan. In this study, 20 out of the aforementioned 298 JMNEs operating in SSA, including two companies that have already closed their subsidiary in SSA, were chosen for qualitative research.

4.9.2 Unit of analysis

The Unit of Analysis was executive or senior managers involved in JMNE subsidiaries in SSA. As mentioned above, interviews with individuals from companies which have disinvested from SSA were also included.

4.9.3 Sampling method, size and data access

The selected sample was based on the researcher's judgement to ensure representivity from a variety of industries, combined with the inputs of Japanese expatriates currently operating in host countries in SSA and individuals who have been repatriated following their tour of duty. Purposive sampling was used for the study as it is the most regularly used form of non-probability sampling for collecting qualitative data. (Saunders & Lewis, 2012). The individuals selected were obtained through the researcher's professional network active in senior JMNE roles in Sub-Saharan Africa, and those that have returned to Japan, who provided insights from the corporate centre. The experience of these respondents allowed for in-depth discussion as they were intimately familiar with the research variables under consideration in this study. There was a risk that the sample selected might be homogeneous as the executives were known to the researcher, and might in turn be asked to provide additional contacts on a snowball sampling basis (Saunders & Lewis, 2012). However, this risk was arguably mitigated by the geographic and industry spread of the executives included in the study.

From the six units identified from 20 JMNEs, each were sampled according to the criteria shown below, such as sector (manufacturing, service, trade) and company size. Most of the face-to-face interviews (14 companies) were conducted in South Africa given the accumulation of JMNEs in SSA and in most cases, the selected JMNEs covered their entire SSA operations from their SA base. For the two companies in the sample that had withdrawn, the interview was conducted in Japan. Interviews with individuals from the two JMNEs which operate in other SSA countries, such as Mozambique, were conducted in order to highlight the difference of the impacts by IVs in different SSA operating environments. Also, given the physical availability of the interviewees, meetings with two companies were also conducted via Skype.

Sampling Criteria

1. Operating country (Only one country or multiple countries in SSA)
2. Years of operation
3. Ownership (IJV, Wholly WOS), representative office or local company after the M&A
4. Management style (eg. managed by Japanese expatriate or local CEO)
5. Size of subsidiaries
6. Sector (Manufacturing, Finance, Trade, Mining etc)

4.9.4 Measurement instrument and guidance

Aforementioned overarching research questions and key questions were used as a basis for the semi-structured interview design (See Table 2). This research aimed for open-ended questions to collect narratives from selected individuals within each identified JMNE. The Unit of Analysis was the individual manager or executive (per company) responsible for market entry into the chosen SSA territory/geography. The maximum time allocation for each company was limited to 30 minutes considering the transcription workload - however some interviews took longer than 30 minutes, depending on the willingness by interviewees. The supplemental paper summarising the concept of IVs, which was created by the researcher, were also provided to each respondent before the interview so that the participants could prepare for the interview.

4.9.5 Data-gathering process

Interviews were used for data gathering and conducted in Japanese. Interviews were conducted face-to-face, where possible, and via Skype calls. Interviews followed the format of the semi-structured interview schedule provided in Table 3 to ensure that all the necessary theoretical constructs and themes were consistently addressed with each respondent. The interviews were digitally recorded, with prior permission obtained from participants for both recording and transcription, except for the respondent who declined recording. The transcriptions produced in Japanese were translated into English by the researcher for use in ATLAS.ti. The researcher is fluent in both Japanese and English and, as such, the transcriptions were an accurate rendering of the Japanese originals.

A timeline covering the data-gathering process is shown as Table 3

1. Fine-tuning the interview schedule based on respondent's observations during a short pilot study
2. Identified individuals within targeted JMNEs (20 companies) for semi-structured interview
3. Ethical clearance
4. Preparation for informed consent
5. Started contacting interviewees and obtained permission
6. Conducted the semi-structured interviews with JMNEs and prepared transcriptions (both Japanese and English)

4.9.6 Analysis approach

A timeline covering the analysis approach is shown as Table 3.

1. Further literature review
2. Setting the coding for ATLAS.ti analysis after independent examiners review
3. Open and axial coding
4. Results from ATLAS.ti combined with findings from literature review

4.9.7 Quality controls – including validity/ trustworthiness criteria

To assure the quality of the interviewer's semi-structured interviews, the interviewer conducted a pilot interview to test the process. The validity and trustworthiness of the

results from the semi-structured questionnaire were assured by multiple samplings (20 interviews) which were deemed sufficient for qualitative research.

4.9.8 Limitations

In this research, the broader and more holistic approach to senior individuals within JMNEs (20 companies) was taken to identify possible interventions by host countries or relevant institutions and authorities from the MNE country of origin (in this case Japan) which could be applied to JMNEs across the board, rather than a specific JMNE. Based on the findings of this study, as a suggestion for future research, more in-depth interviews with selected JMNEs, possibly on a case study basis, may provide even deeper insights.

Chapter 5 : Results

5.1 Sample

5.1.1 Approach

As described in chapter 4, in total, 20 semi-structured interviews with JMNEs were conducted by the researcher. Fourteen (14) face-to-face interviews were conducted in Johannesburg, where the researcher is based and most JMNEs have their African regional headquarters. Two interviews with JMNEs were conducted in Maputo, Mozambique, in order to highlight the difference of IV impacts in different operating environments across SSA. Two further interviews were conducted in Tokyo, Japan, in order to obtain the opinion from JMNEs that have withdrawn from SSA. The remaining two interviews were conducted via Skype call because of the convenience for the respondents. Nineteen (19) interviews were recorded with interviewees' permission while one interview's voice was not recorded because the respondent preferred anonymity. A transcription of that interview was created post-interview through the researchers' notes.

5.1.2 Brief description of sample

The quick summary of 20 JMNEs is shown as Table 4. A brief description of each JMNE is described below in order to understand important context and background information for further analysis. Descriptions were derived from the interview as well as the researcher's own knowledge.

1. JMNE 1 (J1) - Automotive

This company is one of the largest automotive original manufacturing equipment (OEM) companies in the world, with a production base in West Pretoria. Their manufacturing operation in SA began in the 1960s and they now have more than 1,000 employees. Their sales footprint covers almost all SSA countries through their local agent or distributor. Although the company is a WoS thought its parent company in Japan, its SA subsidiary places an importance on localisation. South African is the head of the local subsidiary and a number of Japanese expatriates head operations or marketing. The

respondent is one of the Japanese expatriates based in its marketing division, who was responding on behalf of the director who was on leave at that time.

2. JMNE 2 (J2) - Automotive

This company is also one of the world's leading automotive OEMS. They do not have a manufacturing base in SA, but they have been manufacturing motorcycles in Nigeria for decades and their sales and after-sales service covers all SSA countries through their local distributors. Their SA subsidiary is a WoS by their parent company in Japan. Three Japanese expatriates including the CEO participated in the interview.

3. JMNE 3 (J3) – Automotive

This company is one of the largest Japanese spray coating manufacturing companies and their main customer is Japanese automotive OEMs. They are not manufacturing in SA and at present, their operations in SA are only limited to sales, due to human resource constraints. The WoS in SA by their parent company in Japan was established in 2015. J3 has more than 10 overseas subsidiaries across the world. The respondent was a Japanese representative.

4. JMNE 4 (J4) – Electric appliance

This company is one of the largest and oldest Japanese electric appliance manufacturers as well as engineering, procurement and construction (EPC) contractors. Their SA subsidiary covers the entire SSA region and was established in 1950s and later reopened during the 1990s. They do not have a manufacturing facility in SA; instead a local distributor handles their sales. They have a long track record of running EPC projects in SSA. The SA subsidiary is a WoS through their parent company in Tokyo and a Japanese CEO heads their African operations. Two respondents, including its CEO, participated.

5. JMNE 5 (J5) - Electric appliance

This company is one of the largest Japanese conglomerates, focusing especially on electric appliance manufacturing and EPC contracting. Their SA subsidiary was

established in the late 1990s and covers all SSA countries from their SA office. The SA subsidiary is WoS through the parent company in Japan and its CEO is a Japanese expatriate. They do not have a manufacturing base in Africa, but a European business acquired by J5's parent company has local subsidiaries in SSA. Due to the unavailability of the CEO at that time, another Japanese expatriate participated in the interview on behalf of the CEO.

6. JME 6 (J6) – Chemical

This company is one of the world's largest paint manufacturers. J6 acquired a 100% share of a SA local paint company by M&A several years ago and they now have 15 manufacturing plants in 15 different countries across SSA. Their main B2B customers are automotive suppliers and OEMs but they are also active in the SSA B2C market. There's no Japanese expatriate allocated to their SA subsidiary as J6 places an importance on localisation. Therefore, the interview with one of its executives who heads its African operations at its headquarters was conducted via Skype call.

7. JME 7 (J7) – Medical/optical

This company is one of the largest medical and optical device manufacturer in Japan. Their SA subsidiary covers SSA countries using a local distributor. They don't have a manufacturing base in SSA but they have their own showroom and warehouse in Johannesburg. The SA subsidiary is a WoS through its parent company in Japan and only one Japanese expatriate is allocated to the subsidiary as its CEO, who was the respondent of the interview.

8. JME 8 (J8) – FMCG (Food)

Operating in Nigeria since the 1960s with more than 1,000 local employees, this company is one of the largest fast-moving consumer goods (FMCG) manufacturers in Africa specialising in the food business. Its parent company acquired a minor share of SA's leading food processing company in 2017 in order to tap other SSA markets. Two Japanese expatriates are assigned to the company as directors, one of whom participated in this interview.

9. JME 9 (J9) – Trading house

This company is one of the largest trading houses under Japan's largest conglomerates. They have seven to eight subsidiaries in SSA and its one in SA is the SSA regional headquarters. Its operations in SSA began in the 1960s and was rooted in the mining business. The company also invested in a Mozambican national flagship project as a minor investor and also recently acquired equity in a Singapore-based agricultural company which operates in SSA countries in order to tap its consumer market. Its SA subsidiary is a WoS of its parent company in Tokyo. A Japanese CEO heads up the SA subsidiary. A Japanese managing director participated in the interview.

10. JME 10 (J10) – Trading house

This company is another of Japan's largest trading houses, which are actively trying to expand their business portfolios in SSA. It also holds local subsidiaries in seven to eight countries across SSA and its Johannesburg office is its regional headquarters, which is a WoS of its parent company in Japan. Although it does not have much SSA investment experience, more than 20 Japanese expatriates, including its CEO, are deployed in its SA subsidiary. Its Japanese managing director cooperated for the interview.

11. JME 11 (J11) – Trading house

This company is also one of the so-called "Big 7" Japanese trading houses under the group of leading Japanese automotive OEMs. As the local arm of the group company, it is strongly engaged in automotive sales across SSA. The parent company acquired a French trading house by M&A a few years ago in order to strengthen its business operations in French-speaking countries in SSA. The CEO of the company in SA is still Japanese, but it has quite a mixed culture through the acquisition, with managing directors composed of French, South African and Japanese. One of the Japanese managers and his subordinate participated in the interview.

12. JME 12 (12) – Trading house

This company is also one of Japan's top trading houses, with strong assets in the mining and commodity business. They formed a couple of IJVs for electricity, railway, coal mine and natural gas projects in South Africa and Mozambique with international partners based in the US and Brazil. In addition to that, the company also acquired a minor share in an India-based agricultural company a few years ago in order to expand their business operation in SSA beyond mining, and have several subsidiaries in Mozambique. The interview was conducted with the managing director of the Mozambican representative office which is a WoS of their parent company in Japan.

13. JME 13 (J13) - Bank

This company is one of the largest commercial banks in Japan and one of the core companies of Japan's largest conglomerate, which J9 belongs to. Their SA subsidiary is the only office they have in SSA, which was established in the early 2010s. Although they do not have a commercial licence to trade in any SSA countries, they also have a partnership with a local South African bank. Two Japanese expatriates, including the CEO, are based in SA and both of them participated in the interview.

14. JME 14 (J14) – Bank

This company, like J13, is also one of the so-called “Mega 3” banks in Japan, and their SA subsidiary covers the entire SSA. While it's not doing business in SSA yet, it's partnering one of Africa's largest banks to collect market information on SSA. A Japanese expatriate, assigned to its SA subsidiary, which is a WoS of its parent company in Japan, participated in the interview.

15. JME 15 (J15) – Insurance

This company is one of Japan's largest non-life insurance providers. Their SA subsidiary, which was established in the late 2010s, covers SSA. They have not started commercial operation in SSA yet but have partnerships with local insurance companies. Two Japanese expatriates are stationed in the SA subsidiary which is a WoS of their parent company in Tokyo. The Japanese representative participated in the interview.

16. JME 16 (J16) – Construction

This company is one of the major general sub-contractors in Japan and one of the group companies of J5. They are one of two Japanese construction companies located in SA, with subsidiaries in Angola and Mozambique too. They focus on Japanese official development assistance (ODA) projects implemented by the Japan International Cooperation Agency (JICA) in SSA and normally forms IJVs. Their SA subsidiary was established in the 2010s as a WoS, with just one Japanese expatriate stationed as its representative. The interview was conducted with that representative.

17. JME 17 (J17) – EPC contractor

This company is one of Japan's largest engineering, procurement and construction (EPC) contractors, especially in the field of oil and gas exploitation. In SSA, they are engaged in an International Ventures Japan (IVJ) project in Mozambique and they have a WoS in Mozambique, which was established in the mid-2010s. As the project has not launched yet, only one Japanese expatriate is stationed in Maputo as representative. The interview was conducted with that Japanese representative.

18. JME 19 (J19) – Logistics

This company is one of Japan's largest logistic corporations specialising in freight forwarding under the Osaka-based holding companies. In 2018, it acquired a share majority in the mid-sized freight forwarding company in SA as a springboard to acquire network and operational knowledge in other SSA countries. It kept the brand name of the acquired SA company and appointed a South African as its CEO, as the parent company places great value in localisation. Two Japanese expatriates who heads for marketing and finance & regional strategy participated in the interview.

19. JME19 (J19) – Logistics

This company is one of the largest in the Japanese global logistics services market. Their SA subsidiary was established in the 1990s and conducted business through their local partner. They closed their SA wholly-owned subsidiary in 2018, and instead

opened a new WoS in Kenya to tap into the market there. The interview was conducted in Tokyo with a former expatriate stationed in SA.

20. JME 10 (J20) – EPC contractor

This company is a Japanese multinational EPC contractor specialising in transportation equipment and infrastructure and is one of the core companies of Japan's largest conglomerate which J9 and J12 belong to. They opened a South African WoS of their Japanese parent company in the early 2010s and closed it in 2016. Currently the company is not involved in any project in SSA. The interview was conducted with a previous expatriate who's already returned to its Japanese headquarters.

5.2 Results

5.2.1 Approach

As explained in chapter 4, all the transcriptions written in Japanese were translated into English for analysis by ATLAS.ti. Open coding was done by the researcher to find commonalities in purpose of answering the research questions articulated in Chapter 3. Each codes was examined by the researcher to categorise and answer the nine key research questions articulated in Chapter 3. However, from the nature of semi-structured interviews, categorising all the codes to exactly match the nine key research questions was found to be difficult during the process of analysis. Given this, categorisation was mainly applied to answers to three research questions. In total, 144 codes, 23 code groups and nine broad categories were created (See: Appendix 1).

5.2.2 Results of Research Question 1

With respect to Japanese corporate culture hampering their investment decisions or business expansion into SSA, respondent's comments fell into three broad categories, namely: "Japanese corporate culture matters", "Other factors (neutral)", and "Factors other than corporate culture matters" as shown in Exhibits 5, 6 and 7. "Japanese culture corporate matters" further fell into three coding groups, "Advantages of Japanese corporate culture", "Disadvantages of Japanese corporate culture" and "Neutral aspects of Japanese corporate culture". Among these three, most often respondents commented

on the disadvantage of Japanese culture, which means JMNEs perceive their own culture hampers their business expansion into SSA rather than supporting them. In particular, traditional “Japanese caution towards corporate culture matters” were most frequently mentioned by respondents as a critical issue for their operations in SSA:

Our corporate culture is cautious as typical Japanese companies. If some issues are considered too big for the region to make a call on, it will be sent to Japan for approval. (Ent 20)

Very conservative. We break stone bridges before we cross the bridge. We are not in a situation where we can make large investments in Africa. (Ent 20)

The high-quality but high-price oriented culture of Japanese business was also perceived as having a negative impact on their operations in SSA:

In Africa, we might need to sell products with low rather than with high quality, at least to start with. Even if the life cycle cost is lower, products with high initial costs are not viable in this market. (Ent 13)

We are a company with world-class technology, but our added value is not required in Africa. I think there is a difference in thinking between Africa and Japan. (Ent 13)

Slow decision-making in Japanese corporate culture were also most repeated by respondents as a competitive disadvantage compared to other foreign companies:

It's slow. Authority has been transferred to an overseas subsidiary, but decisions still need to be approved by the CEO or EXCOs at HQ. You need to get 20 to 30 stamps for internal approval. (Ent 13)

It took us one year. I had advised them that you need to move as fast as other European companies otherwise you'll lose. (Ext 13)

The need to meet strict internal compliance criteria were also frequently mentioned by respondents in the context of cautious and careful corporate culture.

I think that Japanese companies' attitudes toward compliance and response to laws and regulations are the main reasons why Japanese companies are behind competitors from other countries and delay their entry into Africa. (Ent 8)

The respondents identified the difference in cultural background as a key disadvantage for Japanese companies operating in SSA.

For the Japanese, Africa is different from Asian countries or Europe. I think other Japanese companies feel the same. (Ent 8)

Of particular interest in this study is that the language barrier between Japanese and Africans was less frequently mentioned by the respondents.

I think that the big difference from multinational companies is that the spoken language is not English but Japanese. I think this makes a huge difference.... There is a language barrier. You cannot get out of Japan's original way of thinking because of this language barrier. (Ent 4)

As for the advantages of Japanese corporate culture, its practice of placing great value on advanced technology was the most frequently mentioned by respondents.

High quality is our advantage. It can create innovations that dramatically change people's lifestyles. (Ent 17).

It can be advantageous to deliver good quality products, or disadvantageous in terms of speed-to-market. (Ent 17)

Following technical advantage, financial edge is the most frequently mentioned by respondents as the Japanese competitive advantage, even though this is related more to organisational structure than corporate culture.

The impact and volatility of the Lehman shock was limited on us because we didn't go for profits as aggressively as US banks did at the time. Banks need financial and managerial stability, which is our advantage. (Ent 6)

Besides the remarks given above, some comments on the neutral aspects of Japanese culture were also derived from respondents. More often, respondents

recognised how their own corporate culture shaped their business principles in SSA.

Our common spirit is “basic and right action”. I don't say that companies in other countries don't have this kind of spirit, but that directs us in doing business here, in both good and bad ways. (Ent 22)

Japanese tend to attribute their business success in other regions to this spirit, and refer to successful examples in doing business this way, but this is not always the case in Africa. (Ent 22)

Of particular interest in this study is that some JMNEs do not perceive that they have distinct cultural difference from other foreign MNEs in terms of culture.

Compared to other multinational companies, our culture has nothing to do with it. (Ent 2)

From the semi-structured interviews, most respondents identified their company's competitive advantage or disadvantage in SSA rather than their corporate culture as determinants. Interestingly, its total frequency (Ent 214) exceeded corporate culture (Ent 139). This result suggests that non-corporate cultural factors are more crucial for successful JMNEs operation in SSA. This “factor other than corporate culture” further fell into three category groups, namely “Disadvantage of company structure matters”, “SSA' own problem matters” and “Japan's own problem matters”. Most often, the respondents mentioned their company's structure as the hurdle in doing business in SSA. In particular, a “lack of understanding of Africa on the Japanese side” was most frequently mentioned by the respondents. This means there is a knowledge and understanding gap between parent companies in Japan and subsidiaries in SSA, which hampers local subsidiaries' operations and FDI decision-making. The comments below from a respondent who had to close a local subsidiary underscores this gap between local subsidiaries and their parent companies in Japan.

At the headquarters, they regard Africa as a homogenous entity but it's actually very diverse. I think if our headquarters could understand this diversity and complexity, our decision-making would be quicker. (Ent 38)

Japanese headquarters need to communicate better with their overseas subsidiaries regarding risks. I felt that headquarters was not trying to understand us and not thinking together either. (Ent 38)

The second most frequently mentioned comment was the lack of SSA market knowledge within the company. This may be closely related with the lack of clear understanding of SSA on the Japanese side. This comment was from a respondent who closed the local subsidiary.

The fact that our head office did not know the market price in Africa was a competitive disadvantage.....because they tried to apply the price they had without knowing the market price in Africa.(Ent 21)

Many respondents mentioned that their corporate structure does not fit well with business models that work best in SSA. However, notwithstanding their misgivings about Japanese management methods in SSA, they also understand it is difficult to change.

I don't think they can ever change as long as board members are Japanese, so such companies tend to choose a country where institutions are well in place and they only do business inside of that. (Ent16)

As a disadvantage of Japanese corporate structure, human resource challenges in Africa were often mentioned by the respondents, which implies this applies even for large Japanese multinational firms operating in Africa.

We have many experienced employees in regions like China and Southeast Asia..... but it's not the case for our operations in Africa. (Ent 16)

In addition, respondents also often commented that Africa's own problems hampers their business operations and expansion in SSA. Most often, "Africa's small and immature market size matters" were mentioned, which indicates that Africa is still not yet an attractive market for JMNEs in terms of market size compared to other regions. For this reason, some Japanese companies are reluctant to expand their business to SSA, not because of IVs, corporate culture or structure.

After all, Africa is a patchwork. There are 54 countries. South Africa and Kenya alone are not a single 200 million market like Brazil. China is low in manufacturing costs and a massive consumer market on its own. It's attractive for a company to have these two drawcards. (Ent 21).

Related to these comment, a number of JMNEs mentioned that they do not see the cost-benefits of continuing business in SSA, which means they are not interested in expanding their business because their current business in SSA is not profitable enough. However, this may also relate to the IVs in Africa.

Regarding our business expansion, we don't see it as viable to get a licence here because demand doesn't justify it at this moment. (Ent 8)

Of particular interest to this study was the general feeling that "SSA is a tougher market than Asia", a view expressed by several respondents. The impact of IVs in SSA on JMNEs are explained later in this report, but it is instructive to note that some JMNEs recognise the difference in ease of doing business compared to Asia, which is the largest investment destination for JMNEs.

The hurdle for Japanese companies entering outside of Asia is high. (Ent.7)

In relation to this psychic distance, the respondents also frequently commented on the geographical distance from Japan. This may relate to the lack understanding of SSA by the Japanese headquarters, which was the most frequently mentioned as the disadvantage of both Japanese corporate structure and culture.

I think that there's a tendency in our company more than other companies. We think Africa is quite far from Japan both geographically and mentally. (Ent 6)

The Japanese government's ambivalent attitude towards Africa were also frequently mentioned by respondents. In particular, its lack of strategy for Africa was often pointed out. That implies that the Japanese government has failed to engage Japanese private companies on how it can support their foray into Africa.

The Japanese government needs to share a strategy with Japanese businesses like the US. ...the US government has a clear global strategy to support American businesses. (Ent 8)

In addition to that, some JMNEs also complained that Japanese ODA loans are not flexible for private companies to use. For some JMNEs, the ODA loan, which is managed by Japan International Cooperation Agency (JICA), is the catalyst that provides the motivation for doing business in SSA. Since the Japanese government underwrites these loans, this presents a less risky investment for businesses, than adopting a go-it-alone approach. This may relate to the necessary support by Japanese government, which is explained later.

It takes five to six years for things to start moving from the beginning...It's completely different from the speed we're used to in private business. (Ent 4)

Interestingly, some respondents commented on the problem with Japanese media which still continue to disseminate the negative stereotyped information on Africa, such as poor or civil war. This also affects the lack of understanding of Africa in Japanese side.

, it is necessary not only to raise awareness at the executive level, but also to understand the people on the product development side. That is important... but there is no person at headquarters who can imagine the African's lifestyle in the same way as Europe and the US. There may be a problem with the content of African information provided by Japanese media.(Ent 2)

The third and last broad category for RQ1 is "Other neutral factors". These are the comments and insights from the respondents, which are not appropriate to classify as Japanese culture or non-culture matters. In other words, the following comments do not have a bearing on their business expansion or FDI decisions. Instead, they are neutral observations in the context of waiting for the right timing. These other factors fell into two code groups, "Foreign companies' competitiveness" and "Still early", respectively. For the first groups, comments on "Western (European) companies' competitiveness

plays a role” was most frequently repeated by the respondents. That means that JMNEs recognise the competitive advantage of Western companies of doing business in Africa based on a historical relationship. Interestingly, none of the respondents saw these companies as a “threat” for JMNEs; rather, they simply recognise their advantage over JMNEs in exploiting the IVs. This relates to the “partnership” strategy which is explained later.

In West Africa, several countries are still using French institution, so it’s easier for French companies to do business there. (Ent 21)

In addition to Western, especially European companies’, competitive advantage, Chinese strategy and competitiveness were also often mentioned by the respondents. Even though historically, a pattern of friction has existed between the two counties, no aversion for Chinese companies was shown by respondents. Instead, they noted the Chinese government’s strategic aid policy for SSA and Chinese companies’ quick decision-making and product price advantage.

Although I’m not familiar with what the Chinese government announced during FOCAC, they’re leading a huge amount of investment into Africa as a nation. (Ent 9)

The other category in this code group shows that some JMNEs are still at an early stage of considering business expansion into the SSA market. These comments were derived from respondents active in the service industry such as banking, insurance, and logistics. Since their main customers are Japanese local subsidiaries, these respondents perceive that until the size of JMNE business in SSA reaches critical mass, they will maintain a “wait and see” position.

We’re eager to expand our business into Africa if Japanese companies enter into Africa more. As a service industry, we need to follow customers. (Ent 13)

On the other hand, some respondents mentioned that they decided to partner with local enterprises to expand their business into SSA as an alternative strategy.

Since the size of private Japanese business investment in SSA is relatively small, it's a niche market. We develop a relationship with local partners first and leverage this relationship before we expand. (Ent 13)

5.2.2 Results of Research Question 2

In contrast with RQ1 regarding corporate culture and its competitive advantage or disadvantage, relatively clear and crisp responses were derived from respondents to three key questions (KQ 4, 5 and 6) under RQ 2 on the impact of IVs. A summary of the results of KQ 4, "What type of IVs impact on your business in SSA and is the effect significant?" is shown as Table 8 and 9. According to the aforementioned Khanna, Palepu & Sinha (2005)'s definition of the five components of IVs, namely "Political and social system", "Openness", "Product markets", "Labour market" and "Capital market", codes were categorised into five code groups (Khanna, et al., 2005). These five groups were regrouped into two groups, namely "System" and "Market". The System category is composed of two groups, "Political and Social System" and "Openness", as these are more related to the system or institution of the host country than the other three market factors. The frequency of the comments on the System (130) further exceeded the one for Market (48). This means that the impacts of "Social and Political System" and "Openness" for JMNEs are much greater than market conditions in SSA. With respect to "Political and Social System", "Lack of institution and regulation matters" were the most frequently mentioned by the respondents. The respondents often commented on how JMNEs struggle with doing business where strong institutions and clear regulations do not exist. In this context, they end up having to fill this vacuum themselves with the cooperation of the host country. This could be the additional transaction cost for JMNEs in doing business or investing in SSA.

So there could be the case that institutions themselves don't exist. We also needed to start with creating institutions for our natural gas development project...we needed to support institution creation because the existing institutions were insufficient for us. (Ent 19)

The second most frequently mentioned opinion by the respondents was "Lack of capacity of implementation matters". This is similar to the lack of institutions or

regulations to some degree, but distinctly different on the point that institutions exist but the host country does not have enough capacity for implementing their institutions to run optimally. This is a direct example of IVs that reflect government failure. Some respondents also mentioned cases where institutions exist but their mandate is vague or its definition varies from government official to government official, which hampers their business expansion in some SSA countries.

I think many African countries have created institutions by copy-and-paste from those in advanced countries. ...I think the challenge for those developing countries is that they fail to understand their own problems and create institutions that are appropriate for that country specifically... As a result, only a few people understand their institution in that country. (Ent 17)

“Political and Social System matters” and “Africa’s high volatility matters” were the third most often mentioned issue by respondents in SSA. That means SSA’s unique political and social systems impacts on JMNEs business operation to some extent.

If there is significant political change, the impact will increase. Like the old Zimbabwe. (Ent 9)

The biggest problem in Africa and developing countries is high volatility. When there is volatility, capital flees and it takes a long time for those countries to recover from that. (Ent 9)

“Openness” was the second most frequently mention by respondents among the five IV elements. Many respondents commented on regulations for foreign investors matters. Such regulations are not unique to SSA, but the interview showed that JMNEs perceive that regulations for foreign investors hampers their business expansion.

For example in Ethiopia, you cannot own a wholly-owned subsidiary. Its impact is huge. (Ent 14)

On the other hand, because of these regulations, some JMEs are aware that they need a local partnership, which is explained in the KQ6.

It's necessary to use a partner agency to collect the money and to deal with foreign currency regulations. (Ent 14)

Of particular interest to this study was that "The difficulty in getting work and travel visas" was the second most frequently mentioned by respondents for openness. Some respondents - especially in the construction/EPC contractor business - face the challenge of obtaining work permits for foreign engineers, which hampers their business in SSA.

Visa and remittance regulations are raised as a barrier every time in any SSA country. (Ent 13)

"Lack of incentives by host country matters" was the third most often mentioned comment by respondents. This means that SSA countries fail to attract JMNEs due to insufficient, or absence of, incentives, especially for manufacturing-related FDI.

It would be great if there were concessions as there are for automobile manufacturers, but there is no incentives for electrical equipment manufacturers. (Ent 8)

With respect to three market categories, "Labour Market (Ent 17)" was the most frequently mentioned by respondents, followed by "Financial Market (16)" and "Product Market (15)". Regarding the Labour Market, the poor quality of labour rooted in poor education systems in SSA was often raised as a problem by the respondents. Some respondents mentioned that they need to provide in-house education and training to fill this void.

The problem we face in running our business here is the labour market. I believe that there's nothing more important than education. In-house education is absolutely necessary. I think every country (in SSA) is the same. (Ent 15)

With respect to the Financial Market, most respondents identified the foreign currency deficit in some countries such as Ethiopia, Zimbabwe, Nigeria and Angola as an obstacle for them to do business in SSA.

Zimbabwe can only do business in local currency due to foreign currency issues. The Central Bank doesn't have dollars... It's a business barrier. (Ent 8)

As for the Product Market, some respondents recognised the lack of infrastructure such as road, electricity, logistic or intra-country connectivity constraints negatively impact on their business in SSA.

Domestic transport is a historical issue in Africa. We face challenges including security and lead-time. (Ent 8)

Summary of the results of KQ.5, "How does your firm overcome these IVs?" is shown as Table 10 and 11. The results of KQ 6, "From a risk mitigation perspective what type of ownership/partnership structure (e.g. IJV, WOS) has your company used when entering an SSA host country?" fell into the category group "Partnership" in the results of KQ 5, because most of the time, this question was asked with KQ 5 during the semi-structured interviews. The respondent's comments on how JMNEs overcome the IVs fell into two broad categories, namely "By self-effort", and "By getting support". The frequency of answers related to firm's self-effort (Ent 194) for overcoming IVs exceeded answers on getting support from others (127). This result implies that local subsidiaries of JMNEs tend to overcome IVs in SSA by more internal self-effort than relying on external support or from their parent company in Japan. "By self-effort" further fell into three code groups, namely "Improvement of Local Operation", "Highlighting Core Value" and "Tactics". Improvement of local operation was the most frequently mentioned comment by respondents among these three choices (Ent 97). Most respondents commented on the importance of local operation know-how. This implies that JMNEs, especially their local subsidiary in SSA, tries to acquire, or at least is aware of the importance of acquiring, local specific daily operation knowledge to catch up with other competitors on the basis of recognition of lack of operation know-how in SSA.

The only solution is to manage how much you could improve your operation compared to yesterday by managing the lead time.(Ent 21)

The second most frequently mentioned comment by respondents was the importance of local market knowledge and network. Most respondents recognised the importance

of local market knowledge for their business, as well as operation know-how, because it could be the determining factor for setting the price of their product or service in the market. Also, it's important to know where and how their product can be sold, as well as having insight into the informal sector, particular within the context of SSA. This also relates to forging partnerships with local associates to fill this information void.

The great thing about XXX is the speed, accuracy, and depth of information gathered throughout Africa, including official and informal information. That is amazing.(Ent 16)

As the informal sector is large, you cannot come in all at once. At first it may be possible to enter using a common platform, but from a certain point you must consider the country-specific situation. Can't scale. (Ent16)

Local network is also quite similar to local knowledge and operation know-how and there's close linkage to choice of partnership, as JMNEs seek to find local partners who offer a complementary relationship.

Our Belgian and French people cover Sub-Saharan Africa marketing. They are professionals. They have a French network, and founders have a British network. They complement each other and cover the whole of Africa. I don't feel the Japanese can catch up to them. I don't think we can beat them if my company sends 30 Japanese employees here. (Ent 16)

The need to localise business operations, as well as product localisation in SSA, was also repeatedly mentioned by respondents. This may relate to their recognition of local operational and marketing knowledge gaps.

We also have a clear policy that we assign local staff to the general manager. The role of Japanese expatriates is getting smaller and changing. We understand that local staff understand the local environment the best. (Ent 13)

In relation to the importance of localisation, most respondents commented on the importance of local human resources. Lack of skilled human resources in Africa was one of the most frequently mentioned comments by respondents as the competitive

disadvantage of JMNEs structure. In response to this shortcoming, JMNEs in SSA have tried to fill this gap through localisation or partnerships. Some respondents mentioned the importance of making use of European or Indian managers for their local operations.

They manage local people using Indian managers. They have very talented people who have been selected in India. They have know-how in selecting key people who add value and in getting the best out of Africans. It's impossible for us to do it on our own. (Ent 11)

There are local Japanese in Latin America. It is abundant. They help us a lot.(Ent 11)

“Tactic” as a company is the second most frequently comment mentioned by respondents in the category of by self-effort. From the interviews, it emerged that some JMNEs try to overcome IVs in SSA by using strategic intention. In this category, importance of having long-term vision or commitment was the most often mentioned by respondents. Some JMNEs have a clear medium-long term strategy for business in SSA rather than pursuing short-term benefit. Some companies are already engaged with CSR activity to create better relationships with the host country.

Long-term view is important. Our objective is not only earning profit here but also contributing to the country in return. While investing, we also conduct CSR activity, human resource development, and donations. We would like to improve this country for the long-term. (Ent 12)

The importance of selection focus was also frequently mentioned by respondents. While many respondents recognised Africa's small and immature market size matters, they nevertheless have selected their market or type of business and are focusing on it.

In Africa as a whole, the market may be large, but I feel that it's necessary to concentrate business on South Africa and Nigeria. (Ent 9).

Advantage of first-mover was mentioned by some respondents from the companies which acquired local company to tap into SSA market.

We need to assure certain volume of business first. If you don't know have local operation know-how or knowledge, you can't beat your competitors. The first-mover advantage is important.(Ent 5)

It was also identified that JMNEs try to differentiate themselves from other competitors by highlighting their core value or competitive advantage. The importance of delivering corporate core value was the most often mentioned by the respondents. This tactic works to rationalise the price of their products or service by highlighting they can provide novel value which does not currently exist in the SSA market. This was observed from interviews with JMNEs which have a relatively strong corporate philosophy or culture.

Because if we convey our core value, it will be a solution that has never existed before. It becomes part of our uniqueness. There are few other institutions or companies that communicate their own culture. (Ent 15)

Some respondents mentioned that they place importance on differentiation from other competitors to overcome IVs, as well as expanding their business.

This is not something that can only be done by us, but I think we're one of the few companies that can provide such know-how and solutions. (Ent 10).

As shown in the result of RQ1, to overcome IVs, some JMNEs also highlight their high-quality products or service in SSA. This may also be related to corporate core value, philosophy and differentiation.

Our founder set the slogan "No borders for good products" and made it a universal value. This is an acceptable value in every country. (Ent 9).

The importance of reasonable decision-making was also mentioned by the respondents. Those company utilise other countries institution or human resource.

There is a tax engineer who advise us which form is the best in terms of payment for tax and which country is the best to locate. It is not a tax evasion. Since Japan and some African countries do not have a bilateral treaty, we choose a country with that. We invest through there.(Ent 6)

With regards to another broad category for the result of RQ2, “by getting support” fell into three sub-categories, namely partnership, public support, and internal support. Partnership was much more frequently mentioned by respondents compared to external and internal support. This implies that JMNEs try to overcome IVs through partnerships between private business, rather than relying on support from public institutions or their parent company. “Importance of partnership with others” was most frequently mentioned by respondents across all codes of this research. In other words, JMNEs have already formed local partnerships as a way to overcome IVs in SSA or at least they’re aware of their importance. Partnerships could be a major argument for how JMNEs can successfully enter the SSA. This is discussed in Chapter 6.

What kind of partner to choose is key. We don't want to start from scratch in Africa, so we need to work with a good local partner. (Ent 39)

..we have a partnership with French company because they know how to fill these gaps. We're open to collaborate with XXX or YYY if we can find mutual benefit. (Ent 39.)

The importance of clear decision for M&A were the second frequently mentioned comments especially by those respondents who experienced M&A. This also proves that M&A are useful tools to overcome the IVs for JMNEs because those respondents recognise their company's M&A decision in SSA were right and necessary. This is also further discussed in the following chapter.

Experience and knowledge can reduce risk. We will actively do M&A and make partnerships with such companies. Risk does not go away. You can understand how to mitigate risk if you do business deeply. It's better to partner with someone than to do alone in the green field (Ent 16).

Some companies use M&A not only to reduce the risk, but also to acquire the new market they have not reached. This can also reduce the dependency on the needs from Japanese companies as they can acquire non-Japanese customer.

We decided to acquire a local company, as Africa was a missing piece in the world for us. XX has also bases in Kenya and other African

countries. So through the acquisition, we could also get non-Japanese customers.(Ent 16)

From those companies who experienced M&A, transition from typical Japanese companies to a company with more diversity can help to reduce the business risk in SSA.

They are looking from a different viewpoint that Japanese people don't see. It is hassle but diversity also can reduce risk...These can be done by transferring authority (from Japan) to Africa or increasing diversity.(Ent 10)

On the other hand, one of whom also mentioned the challenge for post merge integration and adapting to new corporate culture after M&A.

My supervisor is also French guy. It takes time to persuade him and sometimes I struggle to understand why he says No.(Ent 10)

These are the example that JMNEs spontaneously and actively make a partnership others or acquire the company, which has local market knowledge, local network and local customers. It was also identified that it is necessary for some industry such as construction or EPC contractor, to make a partnership or even required to form IJV to participate project. In other words, partnership is the basic premise for some JMNEs to do business in SSA. This is important to note because for some JMNEs partnership is must and there is no choice.

We always work with at least one Japanese company as our JV partner for all the projects that we have done in Sub-Sahara Africa.(Ent 13)

If we tries to bid on its own, we will be disqualified immediately. JV is a major premise in this industry.(Ent 13).

As Japanese construction company is not willing to participate in those projects, so we partner with Indian or Chinese companies.(Ent 13)

Some companies also mentioned that they made or are aware of effectiveness of indirect investment into SSA as alternative form of partnership or MandA. These

companies try to expand their business in SSA through the company which they acquired in the third country in order to mitigate risk.

We cannot make direct investments. We make indirect investments through companies that we have invested in Asia. Eventually they make a risk judgment by their own. Since it is difficult to enter all 54 countries in Africa, we will make an indirect investment in companies with expertise and knowledge in Africa as the first stage and approach of new entry.(Ent 6)

Of the particular interest to this study was only two respondents from the companies which have withdrew from SSA commented on “Failure of making good partnership”. This indicates making good partnership may be determinant factor for the successful market entry for JMNEs.

...which we were trying to partner with, lacked experience so we didn't make a partnership.(Ent 6)

We have tried to buy a local company that had a partnership with us, but it ended with being broken off as we fought each other which company take majority of share. We wanted to take majority of share, which means 51%.(Ent 6)

With respect to the public support, financial support from Japanese government was the most frequently mentioned by the respondents. That means the financial support is helpful for some JMNEs to overcome the IVs. However, there is possibility this is only limited to a business required huge investment.

It can be done without a full national backup by the Japanese government.... We could close project finance thanks to the support from JBIC and NEXI.(Ent 8).

Importance of TICAD for business was the second most often mentioned by JMNEs. Some companies commented on TICAD that it is helpful to build awareness of Africa in Japan, especially to influence top management in Japan.

I try to encourage our executives to come and see Africa with using an opportunity likeor TICAD so that they can understand Africa's market potential...better. (Ent 6)

With respect to the internal support, the respondents mentioned that the importance of support by top management in Japan to overcome IVs and expand their business in SSA. Those respondents perceive that their top management is the key to change organisational structure or to build awareness of Africa in the headquarters.

the Japanese headquarters understand that Africa is an important market for our company, and are trying to focus on expansion within Africa by top management.(Ent 10)

5.2.3 Results of Research Question 3

The summary of the result of RQ3 are shown as Exhibit 14. The respondent's comments fell into two broad category, namely necessary support from external party and support from the firm itself in order to separate each other. Necessary support from external party fell in three sub-categories, necessary support by host country government, necessary support by Japanese government and necessary support by others to align with the KQ 7, 8 and 9. The difference between the "by getting support" described in 5.2.2.and support here is that "by getting support" is the tools that has been already used by JMNEs to overcome the IVS, while the support here focused on the support that JMNEs would like to use in the future to mitigate risk. However, as the frequency of the comments on public support (21) and internal support (11) were far less than partnership (95) in the previous question, JMNEs may not put great importance on support from external party. Among three categories in the external support, the frequency of the comments on support by Japanese government (26) proceeded support by host country (22) and support by others (2). This means JMNEs expect more support by Japanese government than one by host country or others such as international organisation. With respect to the necessary support by host country government, improve of business environment was the most frequently mentioned by the respondents. The most comments are linked with the lack of capacity for the implementation of institution, which was raised as issue of the IVs.

Every country promotes foreign direct investment... Once the project actually starts, you will understand each ministry or authority are vertically divided and there is no linkage. I want them to improve this situation immediately (Ent 7)

“Improvement of security” and “Need to tackle with corruption” were the second most frequently mentioned comments by the respondents in terms of necessary support. With respect to necessary support by Japanese government, “Need of better cooperation between host country and Japanese government” and “Need of capacity building by Japanese government” were the most frequently mentioned by the respondents. It seems those respondents need a support for capacity building because of the issue of labor market in SSA and because that can not be done by one private company.

I hope that the Japanese government will take more initiative in supporting human resource development in Africa.(Ent 5)

As for the better corporation, some respondents expected the preferential treatment for Japan through the negotiation between Japanese government and host country government. “Improvement of financial support by Japanese government” and “Improvement of Japanese ODA scheme was also mentioned by some respondents.

African countries have a high country risk, so I would like the government to create a mechanism to support Japanese companies such as NEXI insurance. (Ent 3)

Tax treatment are decided in advance at the bidding stage between two countries, but there are no case without having such an issue. I want Japanese government to improve the situation because that happens every time.(Ent 3)

Also, the needs for research on foreign competitor or potential partner by Japanese government were mentioned by some respondents.

There are so many countries in Africa, so it is difficult to just get information. In addition, it would be helpful if the Japanese government or JETRO would look up specific examples of African business,

examples of failures, other companies in the same industry, and other industries. I want to learn about other foreign companies. (Rnt 3)

Of particular interest to this study was that one respondents mentioned that the company does not expect support from Japanese government.

There is no particular request for the Japanese government....If your business needs to use such a support, you can't do business in Africa...Most of the Japanese business in Africa supported by the Japanese government has failed.(Ent 1)

With respect to necessary support by others, not many comments were given by the respondents but “Need more linkage with public institution” and “To assist Africa's regional integration” were mentioned.

but I would like the international organizations to compile what kind of regulation African countries wants to have as region. I understand that it is difficult to organize Africa as a whole (Ent 1)

With regards to the necessity support by the firm itself, only “Need of awareness building of Africa for Japan side” was mentioned by the respondents. Those respondents also mentioned that “Lack of understanding of Africa in Japan side matters” as their disadvantage of their corporate structure.

It is necessary to raise awareness of Africa internally as much as possible. It is also important to invite the executive class at the headquarters to Africa.(Ent 12)

Chapter 6: Discussion of Results

6.1 Findings on Research Question

This study aims to identify determinant variables that impact on JMNE's decision-making on FDI into SSA and to what degree as articulated in Chapter 3. This study also tried to identify necessary institutional support to fill the gap not only by the host countries government but also by Japanese government or other stakeholders in order to promote JMNE's FDI more effectively. From this point of view, semi-structured interviews with 20 JMNEs were conducted and data was analysed according to the methodology in Chapter 4. The results of the Atlas ti were shown in Chapter 5, in alignment with the three RQs. Major findings for the three research questions are summarised as below for the discussion.

6.1.1 Findings of Research Question 1

This Research Question, "Do Japanese Multi-national Enterprises (MNEs) have distinctive cultural features that hamper their investment decisions into Sub-Saharan Africa (SSA) when compared to other competitors?" was the most difficult part to derive comments from the respondents in align with the KQ1, 2 and 3. The reasons identified by the researcher throughout interview were;

- Non-cultural factors as shown in Chapter 5 also significantly affects JMNEs competitiveness, mainly, their competitive disadvantage in SSA
- The respondent's comments on their competitive advantages of the firm's culture were far less than expected, compared to disadvantages.
- Independent variables, such as SSA's market size, geographic distance and cost-benefit issue were found

These were not results originally expected by the researcher. However, this was fixed in the process of interviews and enough comments were derived to discuss RQ1. Rather, insightful comments on non-cultural factors were also derived from the respondents, which were originally not considered but these comments were quite useful to understand how JMNEs culture and non-cultural factors relate to each other. In relation to this, it was confirmed that independent variable, such as market size and

geographic distance, which are not this study's focus as articulated in the chapter 4, also significantly impacts on JMNEs. With respect to the JMNE's corporate culture, one of the remarkable features was that JMNEs clearly recognise their corporate culture leads to the competitive disadvantage in doing business in SSA as Table 5 shows.

- Disadvantage of Japanese corporate culture in SSA

In particular, the cautious and careful Japanese corporate culture were perceived as the largest issue for their business operation in SSA. No recent literature covers characteristics of Japanese culture but its higher uncertainty avoidance and Japanese style management would explain a part of this reason (Hofstede, 2001, Pudelco, 2009). Also, Fitzgerald and Rowley (2015) also pointed out that Japanese traditional management systems put an importance on process (Fitzgerald and Rowley, 2015). The second most mentioned comments in terms of Japanese corporate cultural disadvantage was slow-decision making. It links with this cautious and careful behaviour of Japanese culture and this hampers their business expansion in SSA, where speed is required as some respondents commented. In the context of speed, the respondents occasionally mentioned comparison with Chinese companies' competitiveness. In relation to this comment, Japanese high-quality but high-price oriented mind-set was also perceived as a negative factor on their operations in SSA. Some respondents mentioned that consumers in Africa tend to choose low-price products such as Chinese products rather than high-quality and high-price Japanese products. This implies that JMNEs fail to supply the products which are acceptable SSA market or have under-appreciated the importance of localised products which fit the SSA market. This point might be worthwhile to consider further study. The respondents also frequently mentioned strict compliance alignment and this could be one of the major obstacles for JMNEs to expand their business in SSA. This is also related to the cautious and careful corporate Japanese culture that respondents perceive as well as uncertainty avoidance. Some respondents mentioned that other Western or Chinese companies are more flexible for compliance alignment and this makes a difference between JMNEs in terms of competitiveness. As described above, JMNEs perceive that their corporate culture brings competitive disadvantage compared to other foreign companies doing in business in SSA.

- Advantage of Japanese corporate culture in SSA

While the respondents identified numerous challenges coming from their corporate culture, far less advantages of their corporate culture were mentioned. Some respondents mentioned high technology-oriented advantage playing a role, while others mentioned Japanese financial stability, and well-organised, hard-working culture. Moreover, technological advantage and financial advantage is their competitive advantage as company rather than culture. There is a possibility that this question was not appropriate. However, given the number of the comments on disadvantage, the difference is distinct. This result implies that JMNEs may not be confident with their corporate culture compared to other foreign competitors. No academic article explaining this was found but its importance should be further investigated.

- Neutral aspects of corporate culture

Some JMNEs commented on their corporate culture from neutral aspects, which was not originally expected. The dominant view was that their own corporate philosophy plays a role in a good or bad way. They do not feel it is either competitive disadvantage or advantage but it shows that some expatriates of JMNEs are bound to a strong corporate philosophy, which is their business principal and ethics code for entire organisation driven by their top managers in the headquarters. In relation to this, Guiso et al.'s study (2015) shows that corporate culture does not always drive firms' better performance (Guiso, et al., 2015). However, it emphasise that a firm's performance could be better when employees perceive that their top manager is trustworthy and ethical (Guiso, et al., 2015). It's important to investigate if this theory is applicable for JMNEs and if corporate culture also impacts on corporate structure.

- Factors other than corporate culture matters

One of the major findings of the RQ1 was that the respondents more frequently commented on the other factors, i.e, non-cultural factors that impact on their

competitiveness in SSA than their own corporate culture. These were also not the result that the researcher initially expected. However, these were of great importance in understanding how JMNEs perceive their advantage or disadvantage. These factors further metabolised into three sub-groups as shown in Exhibit 8 and major findings are as below;

– Disadvantage of Japanese corporate structure for SSA

JMNEs perceive that their corporate structure for SSA impacts on their competitive disadvantage in SSA, rather than their corporate culture. The frequency of the comments on this was higher than disadvantage of Japanese corporate culture. Most often, the respondents complained that their headquarters or Japanese in general do not understand Africa, or even don't try to understand the local operation situation. This is not directly related to Japanese corporate culture, but rather to the Japanese mentality and cultural distance. Those respondents also frequently commented on the “lack of human resource for Africa matters, “Lack of local market knowledge matters” and “lack of local human resource management matters”. These resource and knowledge gaps may have impacts on JMNEs entry into SSA market. Some respondents also mentioned that difference of cultural background between Japan and SSA matters. This cultural difference, in other world, cultural distance, may impact on Japanese corporate structure (Wilkinson et al.,2008, Puck et al.,2016). From the interviews, some mentioned that SSA is a tougher market than Asia, which explains some JMNEs recognise the difference in ease of doing business compared to Asia, which is the largest investment destination for JMNEs. Wilkinson et al. (2008) found that cultural distance diminishes the control by JMNEs parent company over JMNEs foreign subsidiaries (Wilkinson et al., 2008). Their findings posit that as cultural distance increases, the extent of control over WoS by parent company declines. As most respondents were the expatriates of WoS, their comments on “lack of understanding of Africa by the Japanese” match with this diminishing theory because they also feel cultural distance between SSA and Japan is wide. This cultural distance may impact on the lack of understanding of Africa on the Japanese side, as a result, affects aforementioned resource and knowledge gaps which are the structural issue for JMNEs. Moreover, due to this diminishing effect, the headquarters control over their WoS in SSA become less and the situation may remain

the same as Figure 4 shows. Puck et al.(2016) found that as cultural distance increases, the extent of control over WoS by parent company declines and vice versa (Puck et al.,2016). This also supports the above hypothesis to some extent but further investigation is required. The aforementioned “lack of understanding of Africa by Japanese” can be rephrased to the uncertainty, especially for the JMNEs headquarters. Conconi et al., (2016) showed that when firms are uncertain about their profitability in a foreign market, they experiment export first and then consider FDI (Conconi,et al., 2016). Hence, the lack of understanding of Africa on the Japanese side, which was frequently mentioned by respondents, may explain why JMNEs delay FDI entry into SSA. Japanese higher uncertainty avoidance may support above logic (Hofsted, 2001). On the other hand, Jung et al (2008) showed that JMNEs prefer IJV to WoS, despite the fact that WoS is a less risky option than IJV (Jung et al., 2008). There is a space to be investigated further. From the findings above and literature review, there is a possibility that the disadvantages of Japanese culture and Japanese corporate structure for SSA create negative synergy, which may hamper their business expansion or delay their entry. However, it is difficult to generalise that all JMNEs have these challenges. It may be different from sector to sector. Chadha & Berrill (2016) noted that multinationalism of JMNEs difference from industry to industry (Chadha and Berrill, 2016). As their study shows, the respondent in oil & gas EPC contractor business mentioned that their corporate culture does not impact on their business and IJV is premise for their business.

– Geographic distance matter?

Interesting point is that some respondents compared SSA with Brazil, where is geographically further than Africa from Japan. However, in Brazil, more than 200 Japanese MNEs are based and the number is almost same as the companies based in SSA according to the JETRO’s survey (JETRO, 2019). Some respondents mentioned that in Latin America, there are millions of local Japanese who are around 4th to 6th generation, therefore JMNEs can utilise the abundant human resource for their operation, whereas it is difficult to find such a resource in SSA. This may imply cultural difference matters more than geographical distance. On the other hand, as described in the previous chapter, another respondent mentioned that Brazil has population with 200 million and it is single market. Therefore, Brazil is more attractive

for JMNEs than SSA where the market is divided by more than 40 countries. Further research and comparison with Brazil may be helpful to understand JMNE's motivation for FDI in geographically far location. Verbeke and Kano (2016) pointed out the fact that a number of multinationals fail to be successful outside of their home country largely due to distance from home countries (Verbeke and Kano, 2016). On the other hand, Peng and Beamish (2014) identified there is no clear relationship between impact of cultural distance and geographic distance on ownership levels (Peng and Beamish, 2014). However, in this study, this geographic distance was dealt as independent variables because it is not changeable by JMNEs or support from outside as same as market size. This study's main focus is that how dependent variables such as market entry may impact on the consequence.

– SSA's small and immature market matters

In relation to the aforementioned comment regarding Brazilian market, many of the respondents commented that Africa (SSA)'s small and immature size is a limitation for their business expansion in SSA. This issue does not directly link with Japanese corporate culture or corporate structure because firm need enough volume of business to make a profit. This also may relate to the Conconi et al.'s study (2016) that says a firm does not make an investment decision with uncertainty (Conconi et al., 2016). However, this may link with geographical distance and cultural distance from Japan and other factors because other foreign competitors, even China, the neighbouring country for Japan are quite active. Having said that, it is confirmed that there are several factors that hamper JMNEs business expansion or FDI in SSA other than the IVs. In relation to this matter, respondents who are in Japanese service industry such as bank, insurance, and logistics mentioned that SSA's market is still early for them to enter because the size of JMNEs based in SSA' is still small and immature compared to other region such as South-East Asia and does not reach critical mass. For the Japanese service industry, their main customers are JMNEs s such as manufacturing. Therefore, business needs from local JMNEs subsidiary are the critical factor for their decision. This is another independent variable identified that hampers JMNEs business expansion into SSA. Those JMNEs strategy can be rephrased to "wait and see" because they wait until more JMNEs entry into SSA. However, one respondent in

service sector commented that they have decided to acquire local company to acquire non-Japanese client because they realise they would not have enough size of business only from JMNEs. Also, they took first-mover advantage as company's tactic. This could be alternative option in expanding business in SSA where the size of business from local JMNEs are smaller than other parts of the world. On the other hand, there is possibility that aforementioned lack of understand of Africa in Japan side, cultural distance between Japan and SSA, and JMNEs delay in FDI are inter-related each other. Figure 5 shows its conceptual image developed bases on Figure 4.

– Are foreign MNEs competitor?

From the interviews, the most of JMNEs recognise Western country, especially European company's competitiveness in SSA market. However, in general, JMNEs does not see Western companies as a threat, rather they started recognising the importance of collaborating with them to fill JMNE's knowledge and human resource gap. In fact, one respondent from a JMNE mentioned that they acquired French company through M&A in order to enhance business operation in French speaking country in West Africa, where the some respondents mentioned difficult market for JMNEs. In addition to Western companies, some respondents also admired Chinese government's strategy and their competitive products in the SSA market. That confirmed China's FDI strategy in SSA as literature says (Han, et al., 2017, Lu et al., 2018, Jackson and Horwitz, 2018). Here also, no respondent mentioned Chinese firms as real threat for them, even one respondent mentioned that they are open to partner with Chinese company for the construction project. In contrast with the Western company's competitiveness and Chinese strategy, some respondents mentioned that Japanese government does not have clear strategy for supporting JMNE's business expansion in SSA. That implies that Japanese government fails to have a conversation with Japanese private companies to facilitate private business in SSA. As Furuoka (2017) pointed out, Japan's strategy for Africa is still aid oriented rather than facilitating economic activity like Chinese government is doing (Furuoka, 2017). The support by Japanese governments is further discussed in findings of RQ.3.

6.1.2 Findings of Research Question 2

This Research Question, “What is the effect of Institutional Voids (IVs) on JMNEs in SSA?” were examined through interviews in align with the KQ4, 5 and 6. The below are findings based on the classification by Khanna et al. (2005)’s five components of the IVs, which are “Political and social system”, “Openness”, “Product markets”, “Labor market” and “Capital market” (Khanna, et al., 2005).

– Political and Social System matter

Political and Social system was the most frequently mentioned comments by the respondents, reflecting its magnitude of impacts on the JMNEs business operation (See: Table 8). Many respondents commented that lack of institution and regulation and lack of government’s capacity for implementation of institution. On the other hand, some respondents mentioned that these IVs are not unique feature for Africa and it is common challenges in developing country. Skovoroda et al. (2019)’s study showed that political instability does not mean the higher risk for FDI in expropriation. Luiz and Stewart (2014) researched on South African MNEs how to response corruption as a form of IVs in SSA (Luiz and Stewart, 2014). Their research revealed that while corruption prevails and increase the transaction cost, these MNEs strategically responses to this particular IVs in SSA at organisational level. Voyer and Beamish (2002) identified that Japanese FDI avoid countries where corruption prevails, hence the corruption reduces FDI. Although the most of JMNEs recognise that this is one of the biggest challenges for their operation in SSA, this factor is not enough persuasive reason to explain why JMNEs are behind foreign competitors in terms of FDI. Rather, it may be interlinked with multiple other factors including the aforementioned Japanese corporate culture and structure, cultural and geographic distance, and characteristic of SSA market. Having said that, Arslan et al. (2015) implied the host country’s degree of economic freedom impacts on MNE’s decision for FDI (Arslan, et al., 2015).

– Openness

Followed by the political and social system, openness was the second most frequently mentioned by the respondents among the five elements of the IVs. Especially, the respondents commented on regulation for foreign investors and difficulty in getting visa. Some respondents commented on Ethiopia, where there are regulation for foreign

investors' entry in certain sectors. Blonigen and Piger's (2014) study showed that there is no significant correlation between FDI activity and host country's trade openness, business cost, infrastructure or institution, while it has been said these would be determinants of FDI activity (Blonigen and Piger's, 2014). From the observation through interviews, this does not appear to be a determinant factor hampering JMNEs investment.

- Labor, Capital and Product market

Labor market was the most frequently mentioned by the respondents, followed by Financial Market and Product Market (See: Table 9). However, the respondents less frequently mentioned those three elements compared to Political and Social System and Openness. This result may be affected not only by the magnitude of its impact but also by respondent's depth of understanding of these technical terms on IVs. Kingsley and Graham (2017) stressed that "information void" as a part of IVs in the emerging market affects foreign direct investor's reaction (Kingsley and Graham, 2017). All in all, these factors impacts on JMNEs business expansion to some degree, however, it deems that these impact on JMNEs operation in SAA is less than the ones by Political and Social System and Openness.

- How to overcome the IVs (1) – self-effort

With regards to KQ 5, it is identified that JMNEs tend to overcome the IVS by company's self-effort rather than by getting support from someone (See: Table 10 and 11). The most respondents commented on the importance of the local operation know-how, local market knowledge, local network, localisation, and local human resource management. Interestingly, these are almost accord with aforementioned disadvantage of Japanese corporate structure such as lack of local market knowledge, lack of human resource for SSA, or lack of operation know-how (See:Table 10). This result implies that filling the gaps of local knowledge or local operation know-how is the key to overcome the IVs in SSA. With regards to the local network, Harrison et al. (2018) identified that Malaysian angel investors utilise informal institutions by co-partner and local network such as with government and they also carefully conduct due diligence to mitigate the risk (Harrison, et al., 2018). Kingsley and Graham (2017) study also showed that firms leverage firm's

private information in order to bridge the information gap for better investment decision as “substitution” (Kingsley and Graham, 2017). As for the importance of localisation, Beamish and Inkpen (2002) identified that JMNEs recognised the importance of empowering local management (Beamish and Inkpen, 2002). Tactic is the second most frequently comment mentioned by the respondents in the category of by self-effort to overcome the IVs. The importance of having long-term vision or commitment was the most often mentioned by the respondents. Some company has already been engaged in the CSR activity to create better relationship with the host country. El-Ghoul et al.’s study (2017) showed foreign multinationals can use CSR activity to develop better relationship with local multiple stakeholders in order to reduce transaction cost (El-Ghoul et al., 2017). This JMNEs cases is the right example of so-called “signalling” strategy (Doh, et al., 2017). As the many respondents mentioned Africa's small and immature market size matters, some companies already applied selection and focus as their tactic. Some JMNEs focus on differentiating themselves from other competitors by highlighting their core value or high-quality products as a tactic. Gao et al., (2017) also suggested that reputation is important as a basis for long-run survival in emerging markets for MNEs particularly in weak institutional environments (Gao, et al.,2017).It indicates importance of having their own competitive advantage as well as of creating trust. However, some respondents also recognise it takes time to work these tactics.

– How to overcome the IVs (2) – Getting support (Partnership)

In relation to K9, “Importance of partnership with others” were the most frequently mentioned by the respondents throughout the interviews. This indicated that how much JMNEs recognise importance of partnership – there are several type of partnership such as memorandum of understanding, distributor contract, IJV or M&A, to do business in SSA in order to fill aforementioned gaps. Of particular interest to this study was that no JMNEs commented that WoS is the better choice, which is believed to be the less risky option because it is relatively easy for parent company to control, compared to IJV (Jung, et al., 2008). One respondents mentioned the importance of partnering with the European companies because that JMNE recognises the European MNEs competitiveness. The importance of clear decision for M&A were the second frequently mentioned comments especially from those respondents who experienced M&A. Dohet

al., (2017) also suggested that one of the major countermeasures to overcome the IVs is to “internalise” transaction cost within the firm through M&A (Doh, et al.,2017). Kim and Son (2017) also placed an importance on that creating business groups through M&A is helpful to fill the IVs in emerging market (Kim and Son, 2017). On the other hand, Ahammad et al. (2016) showed that national and organisational distance influence the negotiation process of cross-border M&A (Ahammad, et al., 2016). Lim et al., (2016) indicated that when the cultural distance is perceived differently between companies, it may result in different effect in the cross-border M&A (Lim, et al., 2016). In fact, a company who has experienced M&A faces challenge with post-merge integration and mentioned it takes time to transform from the Japanese company to more diversified transnational company. In addition to that, it is obvious that M&A requires tremendous time, workload and investment. Therefore, it is more risky choice than others. However, two JMNEs commented on their company decided M&A because they recognise the advantage of first-mover. Some companies also mentioned that they are aware of effectiveness of indirect investment into SSA as alternative form of partnership or M&A, by using the network of the company they acquired in the third country. With regards to the other form of support, namely public support, some respondents mentioned that they already make use of financial support from Japanese government. Especially, once company who has invested in mining business mentioned that financial support from Japan Bank for International Corporation (JBIC) and Nippon Export and Investment Insurance (NEXI) were essential for their FDI decision required large amount of investment. Lu et al., (2014) examined that the home country’s support helps Chinese firms FDI entry into the developing country (Lu, et al.,2014). Financial support from Japanese government and governmental financial agency helps to some JMNEs to overcome the IVs. This is the clear example of the “borrowing” theory by Pinkham and Peng (2017) because those JMNEs borrow the home country or third country institutions which is superior than host country’s institution to overcome IVs (Pinkham and Peng, 2017). Some JMNEs also make use of the opportunity of TICAD mainly for building awareness of Africa in Japanese side, reflecting the issue that their headquarters lack of the understanding of Africa. However, there is possibility that these comments were influenced by the special factor that these semi-structure interviews were conducted just before and after the TICAD 7 held in August 28 to 30th in Yokohama, Japan. TICAD is held by Japanese government every three years.

6.1.3 Findings of Research Question 3

Research Question 3, “How can the issues affecting JMNEs in SSA (as identified in RQ1 and RQ2) be mitigated?” were examined through interviews in align with the KQ7, 8 and 9. However, as described above, it is identified that the most JMNEs try to mitigate risk through self-effort and/or partnership with someone. Reflecting that fact, the comments on these three questions are far less than initially expected.

– Necessary support by host country government

Improvement of business environment was the most frequently commented by the respondents. This is also evident from the fact that SSA’s countries ranking in the World Bank’s Doing business is generally low. Lu, et al.’s study (2014) showed that quality of host country’s institutional environment and home country’s support increases the possibility of FDI into a host country, from the case of Chinese firms (Lu, et al., 2014). Some respondents mentioned that improvement of security and need to tackle with corruption by host country government were important. It relates to Voyer and Beamish’s study (2002) that Japanese FDI avoid countries where corruption prevails (Voyer and Beamish, 2002). As described disadvantage of Japanese corporate culture, JMNEs are strict for compliance, hence that may make their operation in SSA difficult and hamper them enter into SSA. As many countries in SSA has been trying to eliminate corruption, however, in reality, these comments imply the corruption still matters JMNEs daily business operation in SSA. With regard to security, as mentioned in the disadvantage of Japanese culture, Japanese cautious and careful culture makes JMNEs being sensitive to the security issue. Some JMNEs commented that it is hard to convince the supervisor of the female staff at the headquarters to travel to SSA because of security concern. The respondents pointed out that this also may come from the lack of the understanding of Africa in Japanese side. Those respondents who commented on the visa issues as one of the IVs in SSA mentioned the improvement of visa system, for example, introduction of e-visa system is helpful for them so that Japanese expats or traveller from the headquarters more frequently visit SSA countries and gain local knowledge and network. This also may impact on the lack of understanding in Japanese side remaining.

– Necessary support by Japanese government

Similarly, the comments on the expectation for support by Japanese government were not frequently mentioned by the respondents, perhaps because some JMNEs already takes advantage of the support to overcome the IVs as described above. On the other hand, Landau et al. (2016) indicated that only some MNEs have an ability to leverage institutional support in their home countries (Landau et al., 2016). Of particular interest to this study was that one respondents mentioned that the company does not expect support from Japanese government as described. This implies that some JMNEs already successfully build business foundation in SSA without external support. There is a clear contrast with the Chinese government strategy for SSA (Jackson and Horwitz, 2018, Lu, et al., 2018, Furuoka, 2017, Peng, 2012, Shi, et al., 2017). As some respondents mentioned that from private companies they do not see the Japanese government's clear strategy for Africa, this implies that Japanese government might need to study China or other foreign MNEs strategy for Africa. In fact, there are request for Japanese governments to do competitor or partner research by the some respondents as Table 12 shows.

– Necessary support by others or firm itself

With respect to necessary support by others such as international organisation like the UN, the respondents gave not many comments. This implies that JMNEs try to overcome the IVs by self-effort or partnership with someone including M&A, not relying on the external supports expect for exploitation or Japanese ODA related business. With respect to the necessary support by the firm itself, only “need of awareness building of Africa on Japanese side” was mentioned by the respondents. As described some JMNEs mentioned that problem with Japanese media which still continue to disseminate the negative image of Africa and they commented that this also brings negative impacts on understanding of Africa on Japanese side. To tackle this issue, Japanese government can be more engaged with Japanese media to raise an awareness of Africa in Japan side through the international event such as TICAD.

6.2 Further discussion

6.2.1 Golden thread

Figure 6 shows a map of the integrated findings from the Research Questions in this study (See Figure 6). It makes a bridge between findings from the literature review and original research design articulated in chapter 3 in order to fill the knowledge gap identified in the research problem. As this study focused on understanding the dependent variables, the major findings from this study are highlighted in blue. These dependent variables include the disadvantages of Japanese corporate culture and structure (identified by RQ 1), the Khanna et al. (2005)'s five elements of IVs, and how to overcome those IVs (identified by RQ 2) and the necessary support by the host country, home country, and others (identified by RQ 3). This study confirms that these dependent variables interrelate to each other and makes an impact on JMNEs FDI decisions and business expansion. On the other hand, through this study, some independent variables such as SSA's market size or geographical distance from Japan were also identified. There are also important factors for JMNEs to consider to expand their business in SSA. However, these are not dependent factors related to Japanese corporate culture or IVs, hence they are excluded from this study's main focus (highlighted in red). This study ensures a golden thread as articulated in the research objective.

6.2.2 Classification of JMNEs operating in SSA

This study also identifies the potential classification of JMNEs operating or which were operating in SSA through the interview and observations with 20 JMNEs in different sectors and with different ownership types and operating years. These 20 companies are classified into the five groups based on the commonality of their business expansion in SSA and degree of partnership and degree of organisational transformation (See: Figure 7).

- Group 1 : Representative office, WoS (Finance, J13, J14 and J15)

The characteristic of the JMNEs belonging to this group is that they form WoS by parent companies in Japan and are waiting until the size of local the JMNEs reach critical mass because their main customers are JMNEs operating in SSA. Service industry companies (?), especially, financial company such as banks or non- life insurance companies, fall into this category as a nature of the business. They have a partnership with a local company to collect local market information or to gain a local network but they are not

starting a business operation in SSA. This option is obviously the least risk, the least investment required, and maintaining the parents company's culture. Often, their business expansion is influenced by the parent companies cautious and careful culture.

- Group 2 : Localisation (Manufacturing and trading house, early stage: J3, J4, J5 and J 7, later stage: J1 and J2)

This group further fell into two sub-groups depending on the stage of their localisation. Those companies which realised the need of their business expansion in SSA decided to upgrade from a representative office to a sales office or were making use of their own resource to tap into the market. The former companies tended to differentiate themselves by delivering corporate core value to rationalise their high-quality and high-price products to fit in SSA market. Also, they began to consider the needs of localised products or made use of local networks or local market knowledge through a partnership with local distributors. On the other hand, latter companies used their own resources such as the company they acquired in the third country and they made an indirect investment into SSA through that company. Both of them are less risky options and they remain JMNEs and the local CEO is a Japanese expatriate. Organisational transformation is not happening yet at this stage. Those companies in the later stage of localisation, they produce or sell localised products to compete in the local market and start the localisation of human resource management because they are aware of its importance for their operation. Often, a local CEO heads up the operation but there are still Japanese expatriates that remain in the local company to liaise with their Japanese headquarters. They are still JMNEs in which their parent company holds 100% share; however, organisational transformation is deepening.

- Group 3 : IJV / Partnership (exploitation, construction, EPC contractor, J12, J16 and J17)

The firms belonging to this group is, in many cases, are required to form an IJV or some form of partnership as a nature of their business. As resource development requires large investment and long-term commitment, they make use of institutional support from both home country and host country and also partner with foreign multinationals to mitigate risk. As long-term commitment and investment are needed, those firms are

eager to create a better relationship with the host country government through CSR activities or supporting the creation of necessary institutions such as laws and regulations. In most cases, a special purpose company is formed for the project implementation with an international partner. Therefore, the degree of partnership and organisational transformation is high. Japanese corporate culture also diminishes.

- Group 4 : M&A (logistic, trading house, FMGC, manufacturing, J6, J8, J15 and J18)

This is the ultimate stage in terms of business expansion in SSA and organisational transformation because they choose to acquire a local or international company and internalise it to reduce transaction costs as well as to expand business by using the resources owned by the company they acquire. Obviously, requiring large investment, organisational transformation is needed; however, it is possible to acquire the competitive advantage in SSA. Also, first-movers advantage is expected. Most often, these firms are engaged with (in rather?) B2B and B2C business. They realise they are no longer “JMNEs” and local CEO is not Japanese expatriate.

- Group 5: Withdraw (J19 and J20)

Although firms make the decision to withdraw from a particular market for multiple reasons, from the two interviews with the companies who had retreated from the SSA market, it was identified that the failure of the partnership with local companies were critical factor. Also, the lack of understanding of Africa and lack of support from the headquarters were also found as commonalities between these two companies. One of whom mentioned that the respondent did not see any of their competitive advantage in SSA, and the other commented that their product did not fit the SSA market. Both of them have the impression that the support from the Japanese government was insufficient. These may be the cases of interacting RQ 1, 2 and 3 each other.

Chapter 7. Conclusion

7.1 Principal findings

The objective of this study was to understand JMNEs' lower presence in FDI and business than other foreign companies which may be caused by the combination effect with JMNEs corporate culture as internal factor and IVs in SSA as an external factor. This research stands on the following premises based on existing knowledge gaps and is designed to fill these gaps.

- The internal culture of JMNEs influences their decision-making in expanding their business in SSA (internal factor)
- IVs in SSA hamper JMNEs' decision-making process (external factor)
- Current host countries or Japanese government initiatives (especially TICAD) do not adequately fill the IVs (external intervention as solution)

From the intensive literature review, some characteristics of Japanese FDI and Japanese corporate culture were identified, but merely to limited degree (Pudelco, 2009, Guiso, et al. 2015, Peng & Beamish, 2014, Wilkinson et al, 2008, Fitzgerald and Rowley, 2015). On the other hand, there are numerous theoretical studies on IVs as well as on how to overcome IVs done across the world (Khanna et al., 2005, Kim and Son, 2017, El-Ghoul et al., 2017, Kingsley & Graham, 2017, Pinkham & Peng, 2017). Also, there are plenty of studies on how the host country or the home country's institutions can support FDI conducted (Lu et al, 2014, Landau et al., 2016, Hatani, 2015). However, research focusing on how IVs impact JMNEs operations in SSA and how JMNEs fill the gaps to mitigate risk had not been studied. Therefore, this research was conducted on the premise that these internal and external factors around JMNEs operating in SSA may determine successful or unsuccessful investment. In this study, the researcher focused on finding these dependent variables through semi-structured interviews with 20 JMNEs operating in SSA.

- Japanese corporate culture and its structure hampering their business expansion in SSA

With respect to the principal findings on JMNEs' corporate culture, one of the remarkable features was that JMNEs clearly recognise their corporate culture leads to the competitive disadvantage in doing business in SSA. Besides, JMNEs perceive that their corporate structure for SSA impacts on their competitive disadvantage in SSA, rather than their corporate culture. Most respondents mentioned that the lack of understanding of Africa on the Japanese (headquarters) side is the main issue impacting their expanding of their business in SSA. These disadvantages of Japanese culture and Japanese corporate structure may create negative synergy, which may hamper their business expansion or delay their entry in SSA.

- IVs impact on JMNEs' operations in SAA, but overcoming through self-effort and partnership

Of Khanna et al. (2005)'s five components of IVs, it is identified that "Political and Social System" and "Openness" impact JMNEs business expansion and FDI in SSA the most. However, most of JMNEs overcome these IVs through self-effort such as improvement of local operations, tactics and highlighting their corporate core value. Also JMNEs already realise the importance of partnerships with a local company or foreign multinationals, including M&A, in order to fill institutional gaps as well as to mitigate business risk. However, through the interviews with JMNEs which have already withdrawn it is identified that the failure of such partnerships and lack of understanding of the SSA market on the Japanese side were critical factors in their withdrawal (?).

- Institutional support

Most of JMNEs try to overcome these IVs in SSA by the aforementioned self-effort or partnership rather than relying on support from public institutions. However, for certain industries, such as mining or construction, financial support by government is key for their business.

7.2 Implications for management and relevant stakeholders

Figure 8 shows a theorised relationship between JMNEs' business expansion in SSA and the degree of partnership/organisational transformation which was shown in chapter 6.

Through interviews with 20 JMNEs operating, the researcher categorised five groups according to the business expansion and degree of partnership and organisation transformation.

1. Representative office

As explained in chapter 6, the JMNEs that belong to this group, mainly Japanese banks and non-life insurance companies, wait and see until size of local JMNEs reach critical mass. In most of the cases, the local managing director is Japanese expatriate and it is a WoS of their parent company in Japan

2. Localisation

As JMNEs' business operations grow or they do not target business only from local JMNEs, they start localising products or local human resources, especially local managers, to be more competitive in the market. This can be explained by Kingsley & Graham's (2017) "substitution" theory because those JMNEs try to overcome IVs to substitute to local products or human resources (Kingsley & Graham, 2017).

3. Borrowing/signalling

For mining or infrastructure projects which require huge investment with high political and institutional risk in the host country, as a premise, JMNEs in this industry form an IJV or partnership. As creating better relationships with stakeholders such as the host country is important, those JMNEs use El-Ghoul et al.'s (2017) "signalling" theory to overcome IVs (El-Ghoul et al, 2017). These IJVs often "borrow" the institution which is superior to the one in host country, such as financial support from Japanese government (Pinkham & Peng, 2017). Organisational transformation is high because they are IJVs.

4. Internalising

Some JMNEs have already acquired a local or foreign company through M&A to internalise transaction costs as well as to expand business by using the resources owned by the company they acquire. This is Kim and Son's (2017) "Internalisation" theory, which is one of the tools for overcoming IVs (Kim and Son, 2017). Often, this type of company has diversity in terms of nationality or operation is localised to a substantial degree.

5. Stay away

This is also an important strategy for JMNEs when they realise they are not in the right market place. Khanna et al. (2005) call this strategy "stay away" (Khanna et al., 2005).

These are still premature models for JMNEs entry type in SSA; however, this may be useful for JMNEs managers to consider these strategy for entering into SSA, comparing them to other JMNEs business operation. Also, this is meaningful for Japanese government to plan a strategy for supporting JMNEs' operations or FDI in SSA.

7.3 Limitations of the research

In this research, as described in chapter 4, the broader and more holistic approach to senior individuals within 20 JMNEs was taken to identify possible action by JMNEs or interventions by host countries or relevant institutions. Based on the findings of this study, as a suggestion for future research, more in-depth interviews with selected JMNEs, possibly on a case study basis, may provide even deeper insights.

7.4 Suggestions for future research

As for suggestions for future research, case studies providing a deeper exploration of firms that have previously entered SSA, and subsequently withdrew, would provide fruitful scope for research. This 'deep dive' approach using specific/chosen firms, using the case study method, would yield a richer understanding of the phenomena being researched. Another angle on future research would be to take each of three RQs in this study and examine each one individually (i.e in more depth survey) with reworked research instruments based on insights derived from this current study. If both research

approaches were to be adopted then future research would benefit from a more nuanced, contextual understanding of the topic (the first angle) and a deeper conceptual/theoretical understanding of the topic (the second angle). There is a possibility that working both these angles in tandem would make a significant future contribution.

Tables and Figures

Table 1 : Top 10 investor economies by FDI Stock, 2013 and 2017 (Billions of dollars)

	Country	FDI Stock, 2017	FDI Stock, 2013
1	France	64	64
2	Netherlands	63	20
3	United States	50	61
4	United Kingdom	46	60
5	China	43	26
6	Italy	28	19
7	South Africa	27	22
8	Singapore	19	16
9	Hong, Kong	16	9
10	India	13	14

Data Source: UNCTAD, 2019

Table 2. Semi-Structured Questionnaire

Research Questions (RQs)	Key Questions (KQs)
RQ 1 Do Japanese MNEs have distinctive cultural features that hamper their investment decisions into Sub-Saharan Africa when compared to other competitors?	KQ 1 : How would you describe your firm's organisational culture compared to other foreign or local competitors (e.g. Chinese or SSA Host Country MNEs)?
	KQ 2 : What, in your opinion, are the competitive advantages and disadvantages of your firm's organisational culture compared to either Japanese MNEs or MNEs from other countries?
	KQ 3 : What are the obstacles to expand business into SSA from the organisational cultural perspective of your firm?
RQ2 What is the effect of Institutional Voids on JMNEs in SSA?	KQ 4 : What type of IVs impact on your business in SSA and is the effect significant?
	KQ 5 : How does your firm overcome these IVs?
	KQ 6 : From a risk mitigation perspective what type of ownership/partnership structure (e.g. IJV, WOS) has your company used when entering an SSA Host Country?
RQ3 How can the issues affecting JMNEs in SSA (as identified in RQ1 and RQ2) be mitigated?	KQ 7 : What intervention by the Host Country is needed?
	KQ 8 : What intervention by the Japanese government is needed?
	KQ 9 : What intervention by third parties (e.g. international organisations/agencies or the firm itself) is needed?

Table 3. Analysis time line

Phase	Activity		Duration	Completion date
Identified individuals within targeted JMNEs (20 companies)	Identify individual and companies		2 weeks	July 29, 2019
Ethical Clearance	Complete ethical clearance		2 weeks	July 29, 2019
Semi-structured interviews	Contact with individuals and conduct interviews in SSA and Tokyo		8 weeks	September 17, 2019
Preparation for ATLAS. TI	Transcribe and coding		6 weeks	October 1st
Analysis by ATLAS.TI	Analysis		8 weeks	October 15, 2019
Intensive literature review	Review		8 weeks	October 15, 2019

Table 4. List of respondents (JMNEs)

	Operating country	Operation Years	Ownership	Managing Style	Size of Subsidiary (No. Employee)	Sector
1	SSA	1970s - present	WOS	Local CEO	Large (100~)	Automotive
2	SSA	1990s - present	WOS	Japanese CEO	Medium (10-100)	Automotive
3	SA only	2010s - present	WOS	Japanese CEO	Small (<10)	Automotive
4	SSA	1960s - present	WOS	Japanese CEO	Medium (10-100)	Electrical appliance/EPC
5	SSA	1990s - present	WOS	Japanese CEO	Small (<10)	Electrical appliance
6	SSA	2010s - present	IJV	Local CEO	Large (100~)	Chemical
7	SSA	2010s - present	WOS	Japanese CEO	Small (<10)	Medical device/Optical
8	SSA (Nigeria)	2010s - present	IJV/WOS	Local CEO	Large (100~)	FMCG(Food)
9	SSA	1960s - present	WOS/IJV	Japanese CEO	Medium (10-100)	Trading house
10	SSA	1970s - present	WOS/IJV	Japanese CEO	Medium (10-100)	Trading house
11	SSA	2000s - present	IJV	Japanese CEO	Large (100~)	Trading house
12	SSA	2010s - present	WOS	Japanese CEO	Small (<10)	Finance/Banking
13	SSA	2010s - present	WOS	Japanese CEO	Small (<10)	Finance/Banking
14	SSA	2010s - present	WOS	Japanese CEO	Small (<10)	Finance/Insurance
15	SSA	2010s - present	IJV	Local CEO	Medium (10-100)	Logistics
16	SSA	2010s - present	WOS	Japanese CEO	Small (<10)	Construction/EPC
17	Mozambique only	2010s - present	WOS	Japanese CEO	Small (<10)	Construction/EPC
18	SSA (Mozambique)	1960s - present	WOS/IJV	Japanese CEO	Large (100~)	Trading house
19	SA only	2000s ~ (Closed in 2016)	WOS	Japanese CEO	Small (<10)	Heavy Industry
20	SSA (Kenya)	1990s ~ (Closed in 2018)	WOS	Japanese CEO	Small (<10)	Logistics

Source: Researcher by own

Table 5. Code : Japanese corporate culture matters

Japanese corporate culture matters	Advantage of Japanese corporate culture 27	Technology advantage plays a role	17
		Finance advantage plays a role	6
		Bureaucratic but well-organized culture	2
		Japanese hard-working culture plays a role	2
	Disadvantage of Japanese corporate culture 81	Japanese cautious / careful culture matters	20
		Japanese high-quality and high-priced products culture matters	13
		Japanese slow decision-making matters	13
		Strict compliance matters	8
		Difference of cultural background matters	8
		Sectionalism matters	4
		Language barrier matters	4
		Japanese traditional working style matters	3
		Placing importance on business process	2
		Dependent on trading house	2
		Not cost-conscious	1
		Need energy to change	1
		Absence of good Japanese manager	1
		Long process needed	1
	Neutral aspect of Japanese corporate culture 31	Corporate own philosophy plays a role	22
		No clear distinction in terms of culture	2
		Decentralization plays a role	2
		Domestic oriented culture	2
Engineer/researchers have a voice		2	
Centralized organization structure		1	

Table 6. Code : Factor other than corporate culture

Factor other than corporate culture	Disadvantage of company's structure matters 142	Lack of understanding of Africa in Japan side matters	38
		Lack of local market knowledge matters	21
		Japanese corporate structure matters	16
		Lack of human resource for Africa matters	16
		Lack of capacity for local human resource management matters	7
		Higher priority to other areas	5
		Lack of local operation know-how	5
		Lack of understanding by top management matters	5
		Having no clear competitive advantage matters	3
		Lack of strategy for Africa by headquarters matters	3
		Lack of communication or presentation skill matters	1
		Lack of local network	1
	Africa's own problem matters 53	Africa's small and immature market size matters	21
		Lack of cost-benefit for business in Africa matters	8
		Africa is tougher market than Asia for Japanese	7
		Geographical distance from Japan matters	6
		Hardship in Africa matters	4
		South Africa has declined	3
		No cost benefit for dispatching expat	4
	Japan's own problem matters 19	Lack of strategy for Africa by Japanese government matters	8
		Inflexibility of Japanese ODA matters	4
		Lack of financial support from Japanese government matters	3
		Lack of support from Japanese government matters	2

Table 7 : Code: Other factors (Neutral)

Other factors (Neutral)	Foreign companies competitiveness	Western(Europan) competitiveness play a role	21	
		China's strategy and competitiveness plays a role	9	
		Ease of travel for non-Japanese plays a role	3	
	Still early	19	Business needs from Japanese companies play a role	13
			Still early to think about how to overcome IVs	2
			Business is not profitable	2
			Business is still at early stage in Africa	2

Table 8: Code : System (IVs)

System			
	Political and Social system	Lack of institution and regulation matters	19
	80	Lack of capacity of implementation matters	17
		Political and social system matters	8
		Africa's high volatility matters	8
		Difficulty in doing business in Nigeria	7
		Security matters	6
		Lack of having global strategy by Africa side matters	4
		Lack of regional integration matters	4
		Time-consuming matters	2
		African government's priority for people is low	2
		Lack of budget allocated to public sector matters	2
		Lack of transparency matters	1
		Corruption matters	1
		Openness	Regulation for foreign investors matters
	50	Difficulty in getting visa / travel matters	13
		Lack of incentive by host country matters	8
		Custom clearance matters	4
		High tax matters	4
		BEE matters	4
		Overseas remittance matters	3

Table 9: Code : Market (IVs)

Market	Product Market 15	Lack of infrastructure/logistics matters	8
		Product market matters	6
		Hard to access to data	1
	Labor Market 17	Labor market and education level matters	15
		Lack of local human resource matters	2
	Financial Market 16	Foreign currency deficit matters	8
		Difficulty in financial arrangement matters	3
		Low credit rating matters	2
		Fluctuation of exchange rate matters	1
		Lack of financial stability matters	1
		Lack of local companies credibility matters	1

Table 10 : Code: By self effort

By Self effort	Improvement of Local operation 85	Importance of local operation know-how	21
		Importance of local market knowledge	16
		Importance of local network	16
		Importance of localization	13
		Importance of local human resource management	11
		Importance of enough reward	5
		Importance of local human resource	3
	Highlighting Core value 48	Importance of delivering corporate core value	15
		Importance of differentiation	10
		Importance of high-quality products	9
		Long-term experience in Africa	5
		Importance of past track records	3
		Consumer business plays a role	2
		Importance of agility/diversity	2
		Making use of own competitiveness	2
	Tactic 61	Importance of having long-term vision/commitment	12
		Importance of selection and concentration	9
		Flexible business plays a role	8
		Bargaining power plays a role	6
		Importance of how to manage risk	6
		Importance of reasonable decision making	6
Advantage of first-mover		5	
Importance of choosing country with legal and financial stability		5	
Taking advantage of institutional voids for new business		3	
Importance of willingness to take risk		1	

Table 11 : Code: By getting support

By Getting Support	Partnership 95	Importance of partnership with others	39
		Importance of clear decision for MandA	16
		Necessity of IJV	13
		MandA plays a role	10
		Indirect investment plays a role	6
		Failure of making good partnership	6
		Open to collaborate with others	5
	Public support 21	Importance of financial support from Japanese government	8
		Importance of TICAD for Japanese business	6
		Importance of collaboration with host country government	5
		Importance of using alternative financial source	1
		More Japanese ODA project welcomed	1
	Internal support 11	Importance of support by top management	10
		Importance of support from the headquarters	1

Table 12: Code : Necessary support

Necessary support from external party	Necessary support by host country government 22	Improvement of business environment	7
		Improvement of security	4
		Need to tackle with corruption issue	4
		Improvement of transparency	2
		Improvement of visa system	2
		Improvement of capacity of implementation	1
		Improvement of exchange control	1
		Improvement of infrastructure	1
	Necessary support by Japanese government 26	Need of better cooperation between host country and Japanese government	5
		Need of capacity building by Japanese government	5
		Improvement of financial support by Japanese government	3
		Improvement of ODA scheme	3
		Need of research for competitors or market by Japanese government	3
		Action by Japanese government for bilateral treaty is needed	3
		Action by Japanese government to create more business linkage	3
Necessary support by others 2	Need more linkage with public institution	1	
	Assisting Africa's regional integration	1	
Necessary support from the firm itself	Necessary support or understandings by firm itself 12	Need of awareness building of Africa for Japan side	12

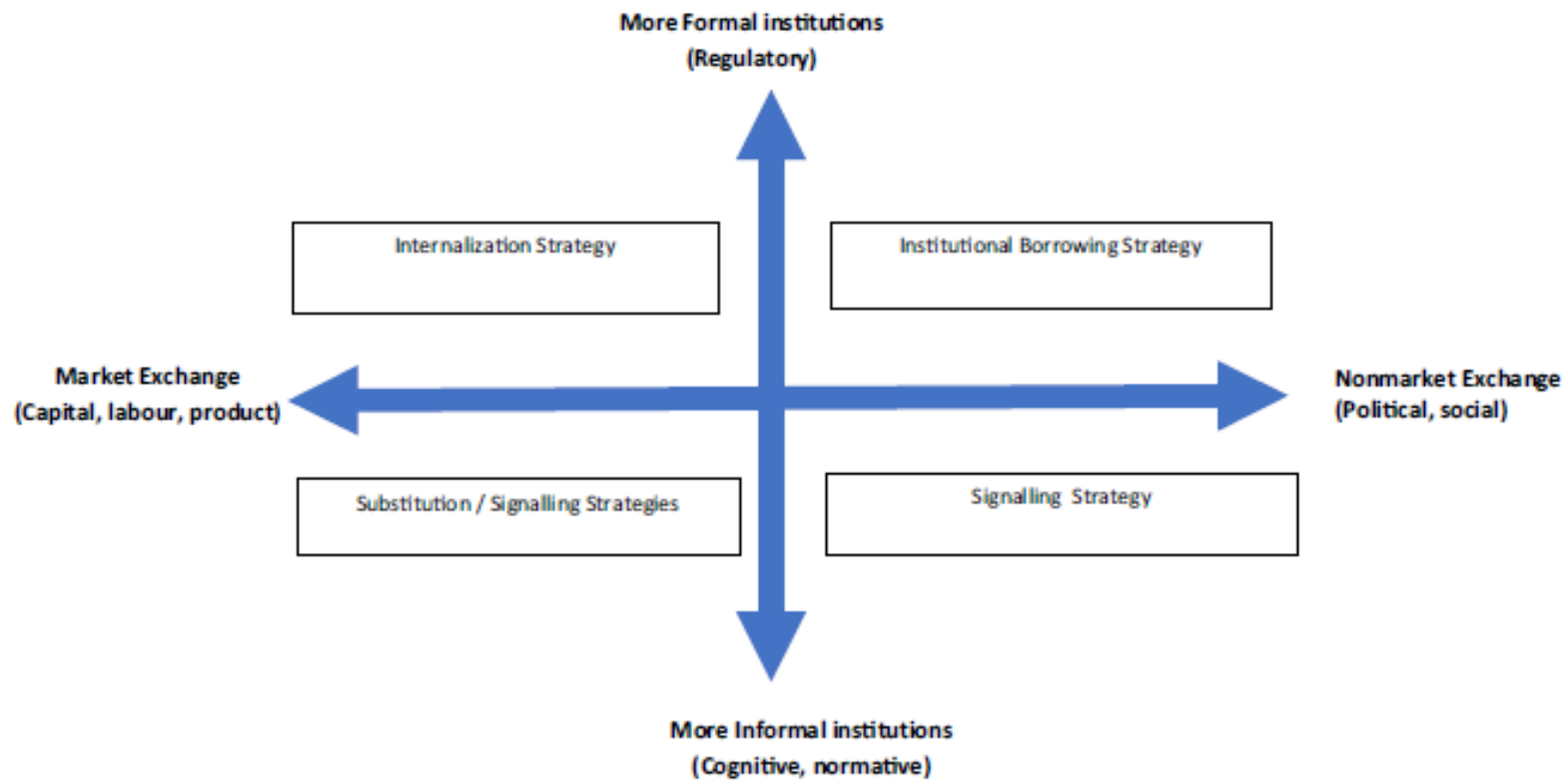


Figure 1. Type of responses to institutional voids (Source: Doh et al, 2017)

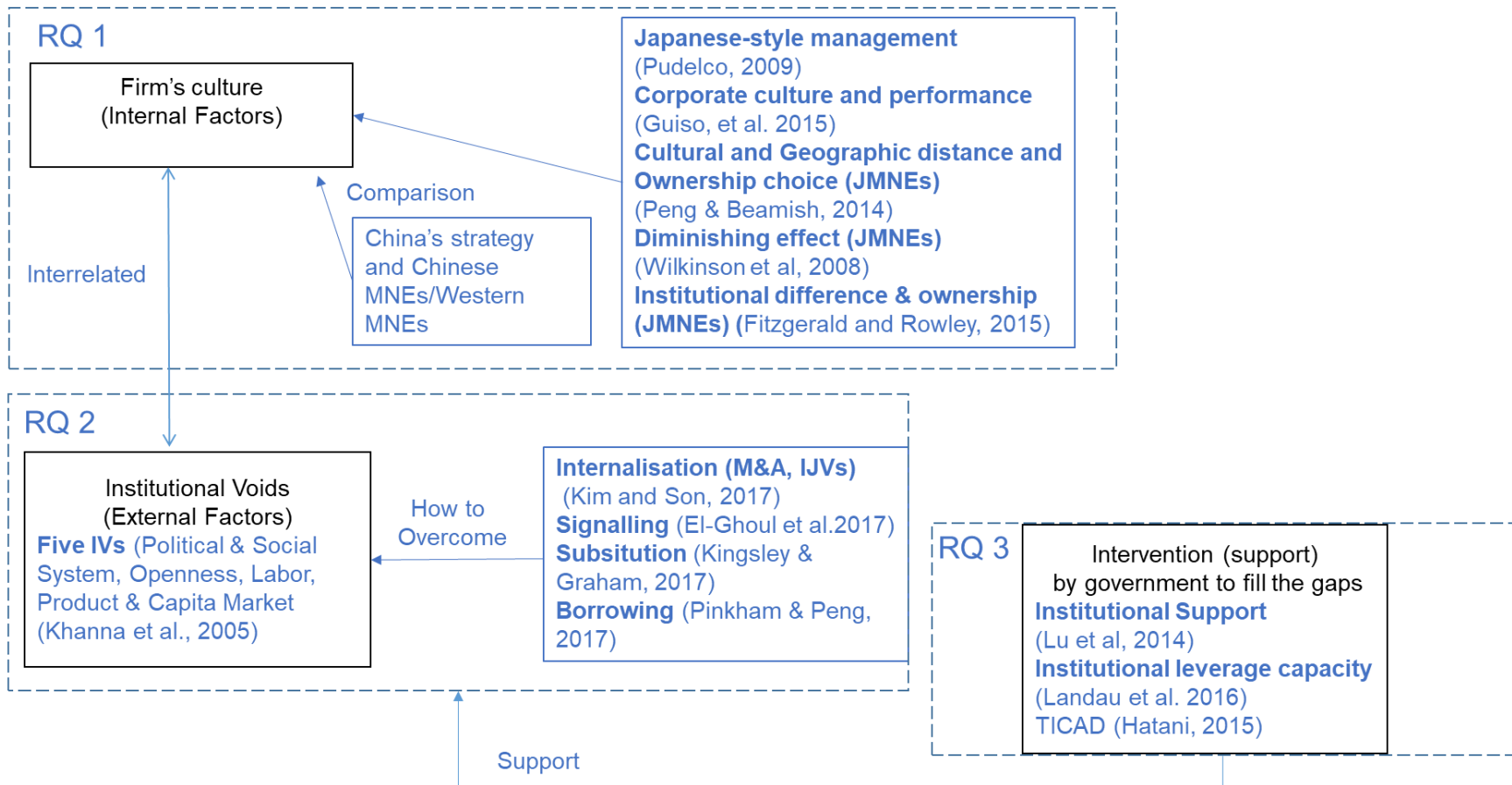


Figure 2. Findings from literature review (Source: researcher by own)

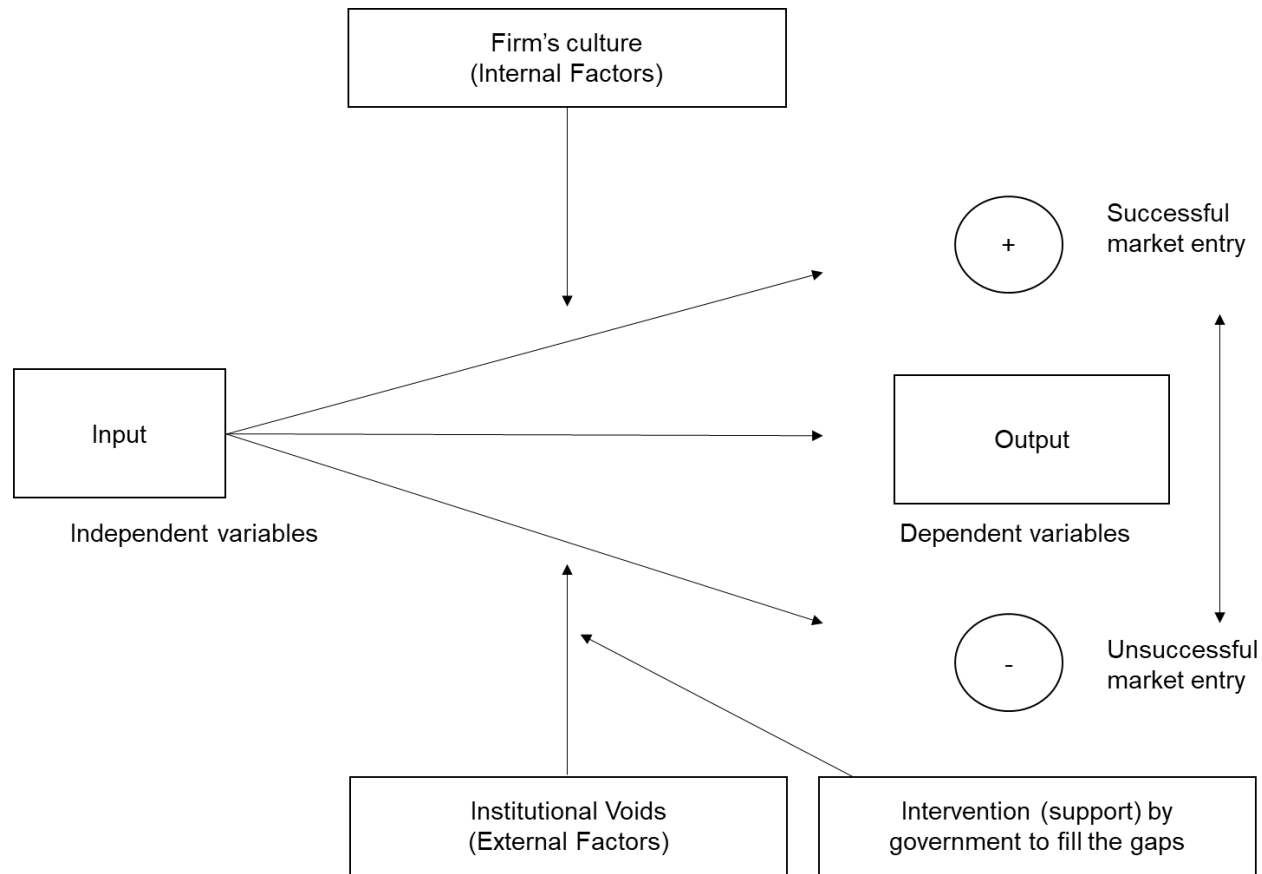


Figure 3. Research design (Source: researcher by own)

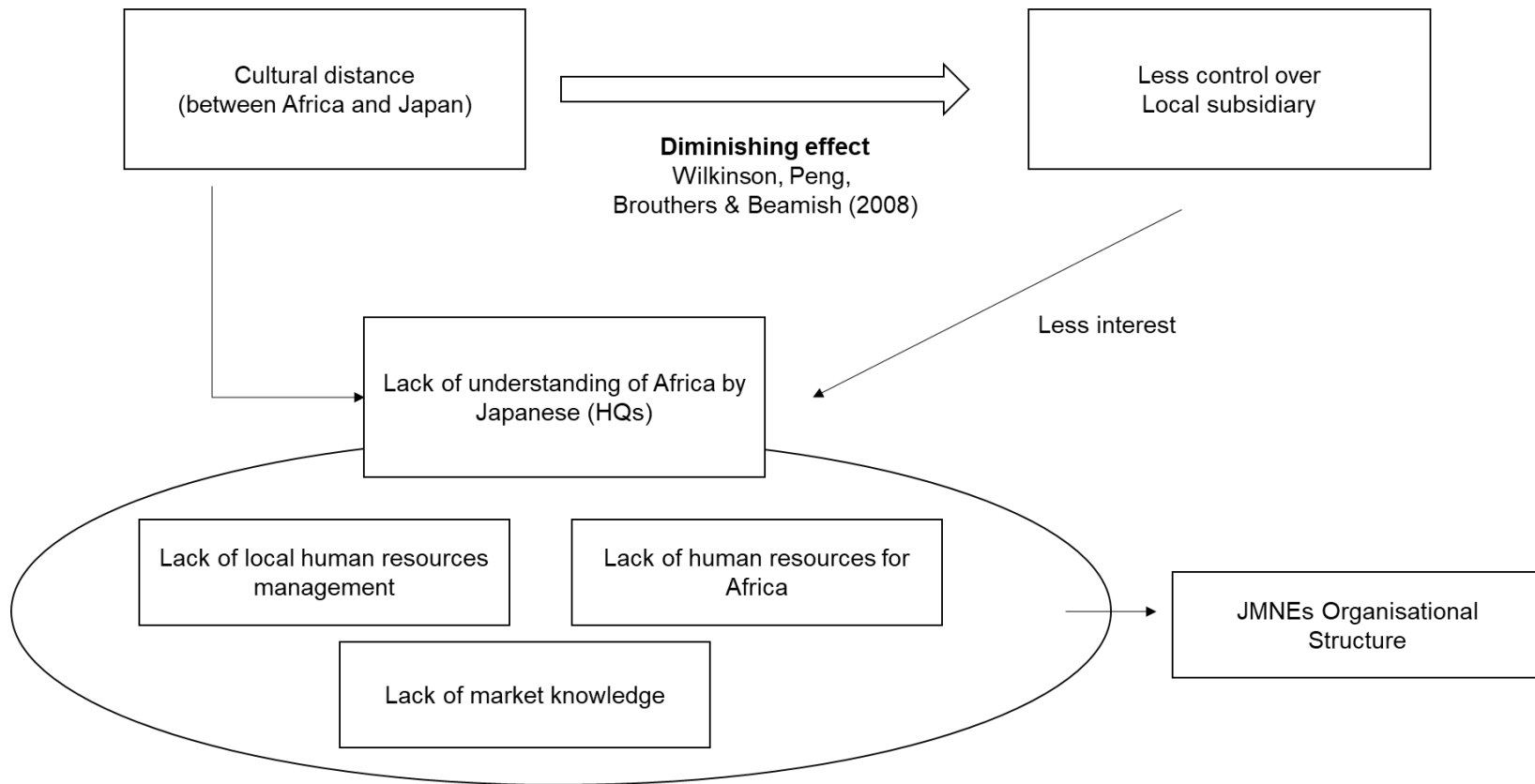


Figure 4. Cultural distance and its potential impact on JMNEs organisational structure for Africa(Source: researcher by own)

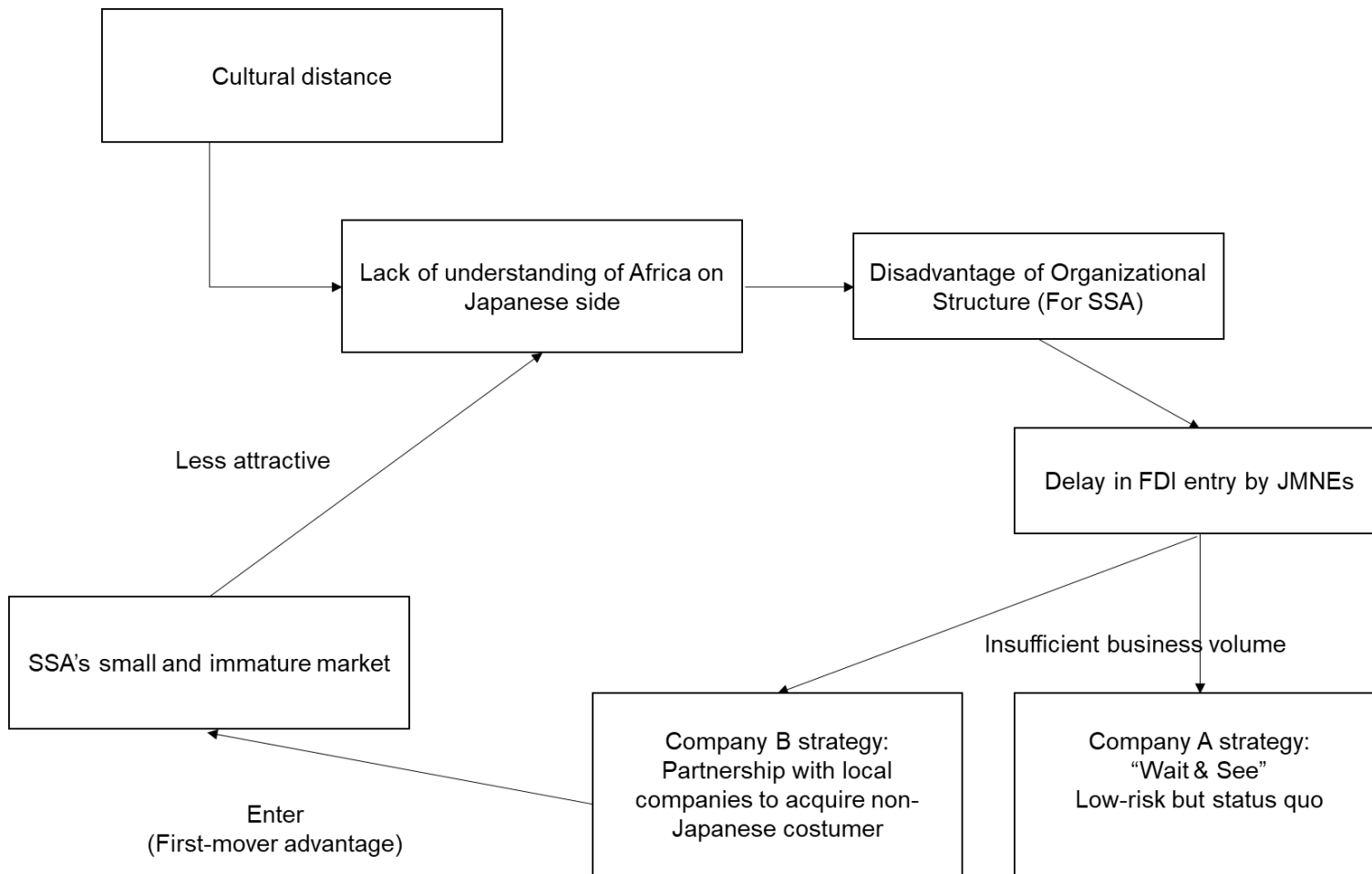


Figure 5. Company A and B's strategy in SSA market (Source: researcher by own)

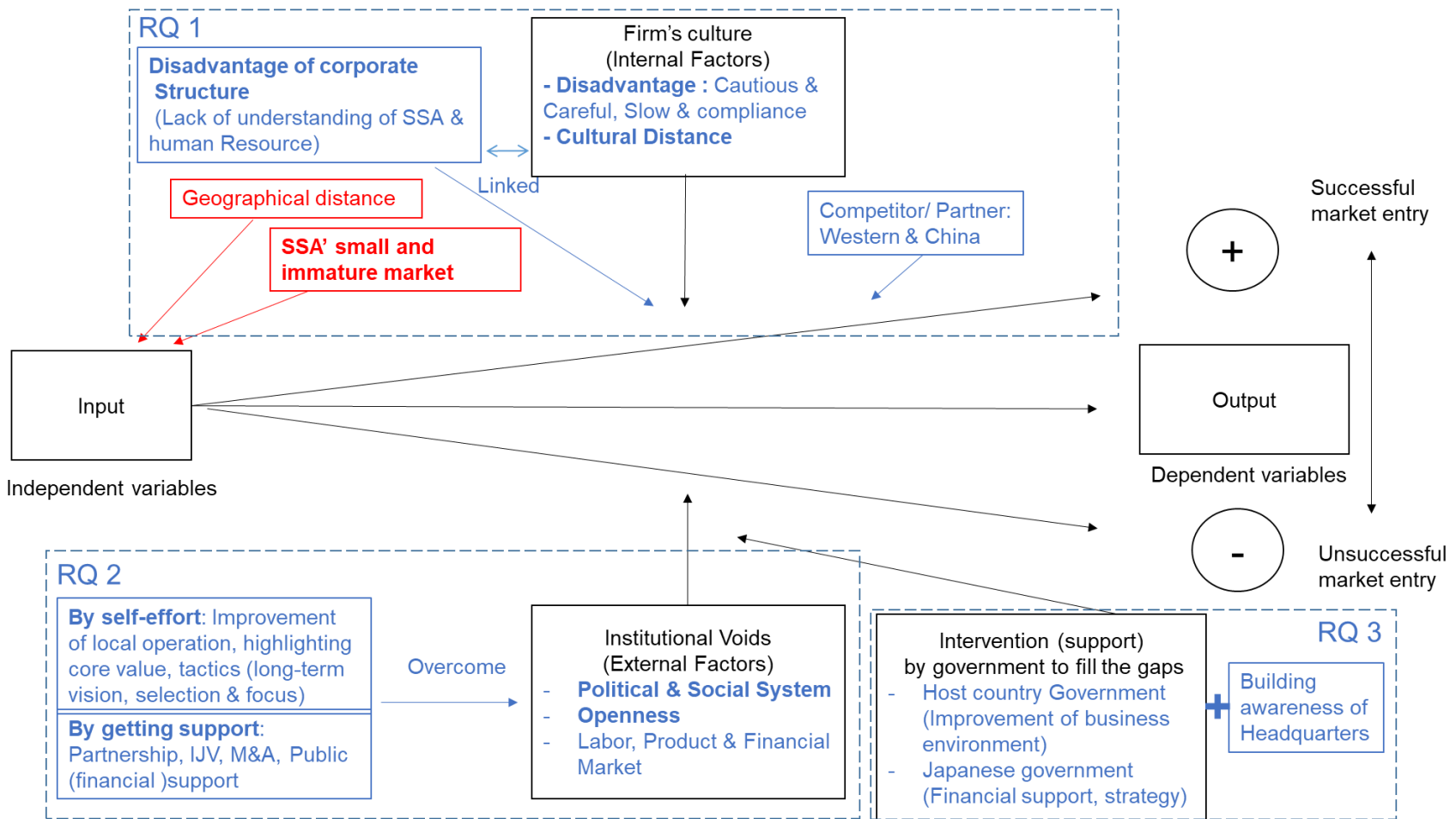


Figure 6. Map of integrated findings from the Research Questions (Source: Researcher by own)

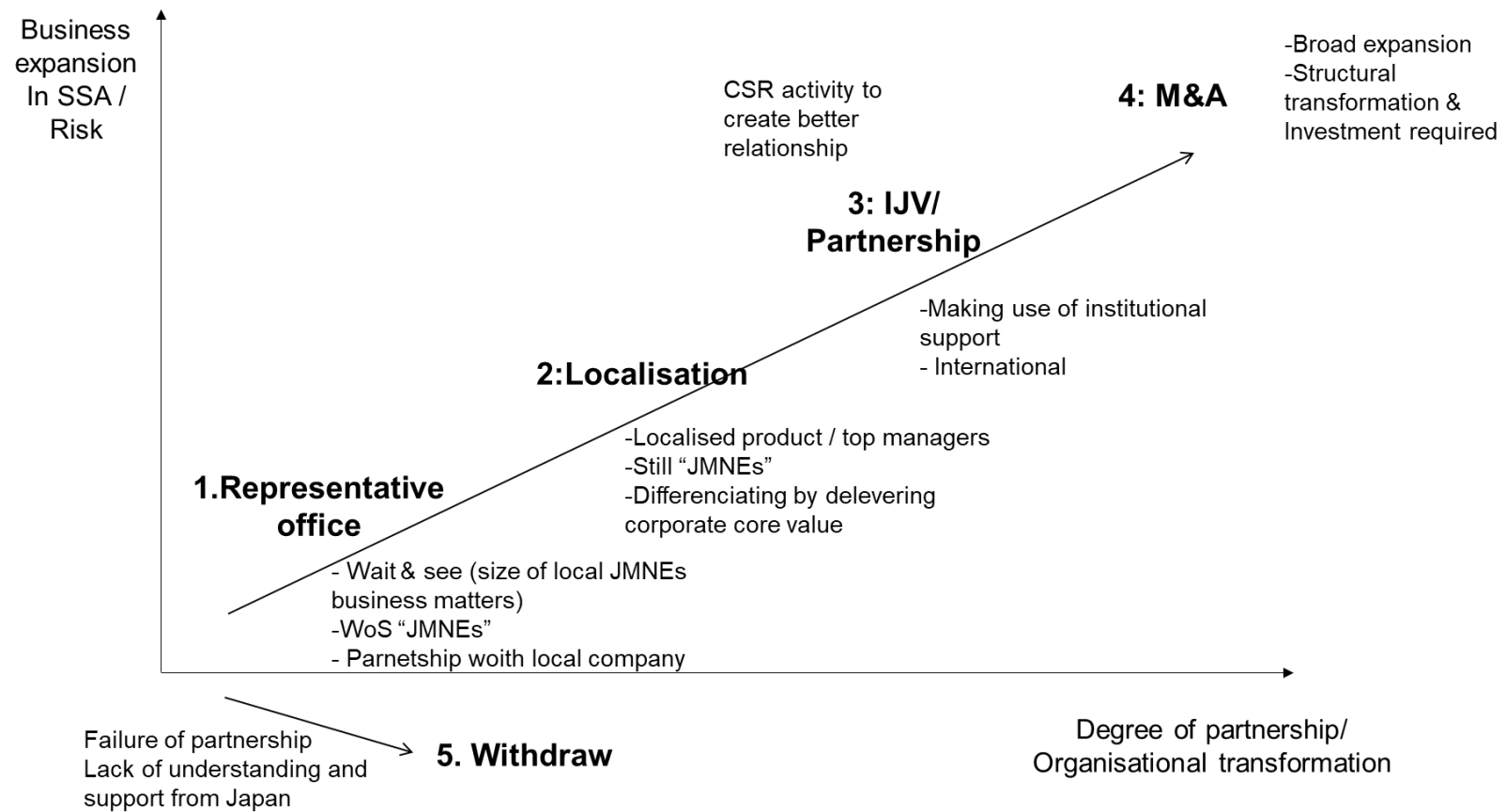


Figure 7. Relation between JMNE's business expansion in SSA and degree of partnership/ Organisational transformation (Source: Researcher by own)

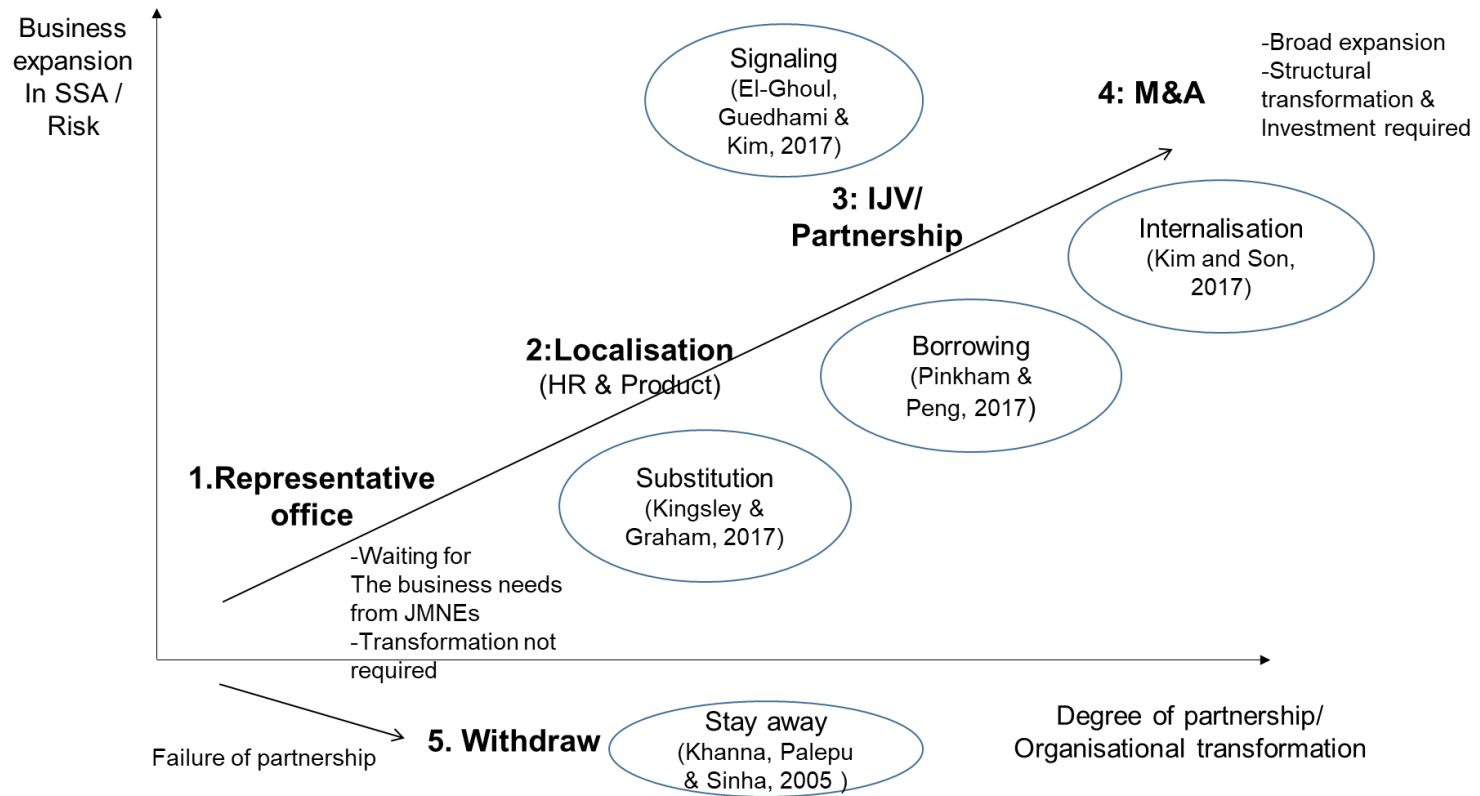


Figure 8. Theorised relation between JMNE's business expansion in SSA and degree of partnership/ Organisational transformation (Source: Researcher by own)

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Appendices

Appendix 1 : Codes

Japanese corporate culture matters	Advantage of Japanese corporate culture 27	Technology advantage plays a role	17
		Finance advantage plays a role	6
		Bureaucratic but well-organized culture	2
		Japanese hard-working culture plays a role	2
	Disadvantage of Japanese corporate culture 81	Japanese cautious / careful culture matters	20
		Japanese high-quality and high-priced products culture matters	13
		Japanese slow decision-making matters	13
		Strict compliance matters	8
		Difference of cultural background matters	8
		Sectionalism matters	4
		Language barrier matters	4
		Japanese traditional working style matters	3
		Placing importance on business process	2
		Dependent on trading house	2
		Not cost-conscious	1
		Need energy to change	1
		Absence of good Japanese manager	1
		Long process needed	1
	Neutral aspect of Japanese corporate culture 31	Corporate own philosophy plays a role	22
		No clear distinction in terms of culture	2
Decentralization plays a role		2	
Domestic oriented culture		2	

		Engineer/researchers have a voice	2
		Centralized organization structure	1
Factor other than corporate culture matters	Disadvantage of company's structure matters	Lack of understanding of Africa on the Japanese side matters	38
		Lack of local market knowledge matters	21
		Japanese corporate structure matters	16
		Lack of human resource for Africa matters	16
		Lack of capacity for local human resource management matters	7
		Higher priority to other areas	5
		Lack of local operation know-how	5
		Lack of understanding by top management matters	5
		Having no clear competitive advantage matters	3
		Lack of strategy for Africa by headquarters matters	3
		Lack of communication or presentation skill matters	1
		Lack of local network	1
	Africa's own problem matters	Africa's small and immature market size matters	21
		Lack of cost-benefit for business in Africa matters	8
		Africa are tougher market than Asia for Japanese	7
		Geographical distance from Japan matters	6
		Hardship in Africa matters	4
		South Africa has declined	3
		No cost benefit for dispatching expat	4
	Japan's own problem matters	Lack of strategy for Africa by Japanese government matters	8
		Inflexibility of Japanese ODA matters	4
		Lack of financial support from Japanese government matters	3

		Lack of support from Japanese government matters	2
		Problem with Japanese media	2
3. Other factors (Neutral)	Foreign companies competitiveness 33	Western(Europan) competitiveness play a role	21
		China's strategy and competitiveness plays a role	9
		Ease of travel for non-Japanese plays a role	3
	Still early 19	Business needs from Japanese companies play a role	13
		Still early to think about how to overcome IVs	2
		Business is not profitable	2
		Business is still at early stage in Africa	2

**RQ. 2 Institutional
voids in Africa**

System	Political and Social system 80	Lack of institution and regulation matters	19
		Lack of capacity of implementation matters	17
		Political and social system matters	8
		Africa's high volatility matters	8
		Difficulty in doing business in Nigeria	7
		Security matters	6
		Lack of having global strategy by Africa side matters	4
		Lack of regional integration matters	4
		Time-consuming matters	2
		African government's priority for people is low	2
		Lack of budget allocated to public sector matters	2
		Lack of transparency matters	1
		Corruption matters	1
	Openness	Regulation for foreign investors matters	14

	50	Difficulty in getting visa / travel matters	13
		Lack of incentive by host country matters	8
		Custom clearlance matters	4
		High tax matters	4
		BEE matters	4
		Overseas remittance matters	3
Market	Product Market 15	Lack of infrastructure/logistics matters	8
		Product market matters	6
		Hard to access to data	1
	Labour Market 17	Labour marktet and education level matters	15
		Lack of local human resource matters	2
	Financial Market 16	Foreign currency deficit matters	8
		Difficulty in financial arrangement matters	3
		Low credit rating matters	2
		Fractulation of exchange rate matters	1
		Lack of financial stability matters	1
		Lack of local companies credibility matters	1

How to overcome IVs

By Self effort	Improvement of Local operation 85	Importance of local operation know-how	21
		Importance of local market knowledge	16
		Importance of local network	16
		Importance of localization	13
		Importance of local human resource management	11
		Importance of enough reward	5
		Importance of local human resource	3

	Highliting Core value 48	Importance of delivering corporate core value	15
		Importance of differentiation	10
		Importance of high-quality products	9
		Long-term experience in Africa	5
		Importance of past track records	3
		Consumer business plays a role	2
		Importance of agility/diversity	2
		Making use of own competitiveness	2
	Tactic 61	Importance of having long-term vision/committment	12
		Importance of selection and concentration	9
		Flexible business plays a role	8
		Bargaining power plays a role	6
		Importance of how to manage risk	6
		Importance of reasonable decision making	6
		Advantege of first-mover	5
		Importance of choosing country with legal and financial stability	5
		Taking advantage of institutional voids for new business	3
		Importance of willingness to take risk	1
		By Getting Support	Partnership 95
Importance of clear decision for M&A	16		
Necessity of IJV	13		
M&A plays a role	10		
Indirect investment plays a role	6		
Failure of making good partnership	6		
Open to collabolate with others	5		
Public support	Importance of financial support from Japanese government		8

	21	Importance of TICAD for Japanese bussiness	6
		Importance of collaboration with host country government	5
		Importance of using alternative financial source	1
		More Japanese ODA project welcomed	1
	Internal support 11	Importance of support by top management	10
		Importance of support from the headquarters	1

Necessary support from external party	Necessary support by host country government 22	Improvement of business environment	7
		Improvement of security	4
		Need to tackle with corruption issue	4
		Improvement of transparency	2
		Improvement of visa system	2
		Improvement of capacity of implementation	1
		Improvement of exchange control	1
		Improvement of infrastructure	1
	Necessary support by Japanese government 26	Need of better cooperation between host country and Japanese government	5
		Need of capacity building by Japanese government	5
		Improvement of financial support by Japanese government	3
		Improvement of ODA scheme	3
		Need of research for comptitors or market by Japanese government	3
		Action by Japanese government for bilateral treaty is needed	3
Action by Japanese government to create more business linkage		3	
Improvement of ABE initiative program	1		

	Necessary support by others	Need more linkage with public institution	1
	2	Assisting Africa's regional integration	1
Necessary support from the firm itself	Necessary support or understandings by firm itself	Need of awareness building of Africa for Japan side	12
	12		

